

MANUAL FOR BUILDING ASSOCIATIONS.

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MANUAL

FOR

Building and Loan Associations,

EMBRACING

The Origin and History of Co-operative Societies; Objects and Benefits of Building Associations; Plans and Methods of Organizing and Conducting them; Leagues; Legislation; Constitution and By-laws; Forms and Description of Books, Blanks, and Papers; Interest and Dividend Tables; Auditing and Supervision; The "National" Associations; and a Comprehensive Variety of Practical and Useful Information and Suggestions.

BY HENRY S. ROSENTHAL.

11

SECOND EDITION. REVISED AND ENLARGED.



S. ROSENTHAL & COMPANY,
CINCINNATI,
1891.

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PREFACE TO SECOND EDITION.

IT IS with pleasure that a revised and enlarged edition of the **MANUAL FOR BUILDING ASSOCIATIONS** is presented to the public. The first edition was sent forth under a feeling of uncertainty. It was a pioneer in a new field. The territory was one of rich promise, but as yet unexplored and unoccupied. In presenting what purported to be a guide to this region there was a heavy responsibility assumed.

But all that was expected and hoped of the building association system has been and is still developing. The building association is now a fixed institution, with its mission and its limitations well defined. It has secured universal recognition, and is working out its own destiny. It is not yet perfect, but under the operation of evolutionary processes, theories, plans, and detail operations, are steadily progressing and improving.

The material out of which to make such a book as this has increased wonderfully during the three years which have elapsed since the first edition was issued. Numerous books on the subject have been published during this time. Many special articles on the subject

by students of economical questions have appeared in leading periodicals. In a number of the states the leading newspapers now carry regular building association departments, while in almost every newspaper in every state articles relating to this subject appear from time to time. At league meetings, conferences, etc., many special papers have been presented and discussed. Comprehensive and valuable statements have been prepared from time to time for presentation to legislatures in connection with requests for legislation. Numerous periodicals devoted to this subject have been established in different parts of the country, and some of them have developed into very able publications. In several states official bureaus have been established for the supervision of the work of associations, and the collecting and tabulating of information in connection therewith. From all these sources there is now an aggregate of information which was unknown when the *MANUAL* first appeared.

It has been a source of gratification that so little was found in the first edition for criticism. The book met with almost universal commendation, and has been accepted and adopted generally as an authority in its field. In the present edition everything of value in the first edition has been retained. There has been careful revision of the entire text, correcting and elaborating where necessary, omitting and condensing where possible. New topics that have come into special prominence have been taken up and treated in full. Among these may be mentioned the chapters and passages devoted to Auditing, Leagues, State Supervision, Legislation, etc. Such matters as these have grown into prominence out of

the necessities of the system itself. The magnitude which the operations of associations have reached, and the evident immense growth that awaits the system in the near future, make these matters of great importance, and hence they have been given most serious consideration.

The popularity of the association system has not only developed dangers within, but has invited dangers from without. Unscrupulous schemers are seeking to take advantage of its popularity and the confidence of the public in it to float wild-cat schemes of different kinds, with the deliberate purpose of defrauding and robbing the inexperienced and the unwary. Their favorite plan is to establish what they call a "National" building associations and to invite and induce unsuspecting victims in all parts of the country to turn their savings over to their crafty keeping. Inasmuch as hundreds of thousands of dollars have already been fraudulently collected and held in this way, and loss and disaster have come in consequence to many thousands of hard-working and worthy people, and since this is done under the guise of a building association and the genuine and legitimate institution is thereby brought into disrepute, it has seemed worth while to give special attention to this subject also. A proper understanding of the real nature of the principles of co-operation as applied in a building and loan association will show every one the impossibility of the fulfillment of the promises held forth by the managers of these institutions.

There are numerous other minor changes and improvements in this edition which will be noted by the careful reader.

The author gratefully acknowledges his obligation to the many persons and sources from which, directly or indirectly, he has derived information. This edition, like the former one, has been prepared in the midst of pressing business duties and cares, and minor imperfections may have resulted in consequence.

H S. R.

Cincinnati, October 1891.



PREFACE TO FIRST EDITION.

THE RAPID multiplication and the remarkable development of building and loan associations in the United States have given rise in all parts of the country to a very general and popular demand for specific information in reference to proper methods for organizing and conducting these institutions. So numerous and urgent have been the requests coming to the writer for information of this character that he has somewhat reluctantly undertaken the preparation of this book.

The building association, in its present popular form, is such a recent institution that the literature in connection with it is, most of it, yet to be written. The organization and management of associations has been discussed by a few writers incidentally in connection with treatises upon general co-operative work, or in a fragmentary and partial way through newspaper and magazine articles, or in a local way in reference to the work of associations in particular cities or states, or in a professional way in works intended and fitted only for the use of the legal profession.

It has been the effort, in the preparation of the present work, to compile from all the various sources

of information, and to record from a somewhat extended personal experience and observation in the actual workings of associations, a manual of popular information in reference to this subject.

The undertaking is a difficult one from the fact that the plans of conducting associations, and the laws relating to them in the different states, are yet in an experimental stage, are not all uniform, and are subject to constant changes.

The greatest care has been exercised to make all statements accurate and practical. The facts, conclusions, and suggestions given are based upon legal enactments, judicial decisions, and approved practice.

It has been the purpose to make the book *simple* and *comprehensive*. The building association is pre-eminently an institution of the common people and this book is intended for their use. The effort has been, to include all the information of a general and specific character which is necessary to enable intelligent working-people in any community to organize and conduct a successful association.

Until a larger experience shall have discovered the *best* methods for conducting associations and shall have developed greater uniformity in the legislation governing them, the preparation of a work of this kind that shall be entirely complete and satisfactory will be impossible. The hope may be expressed that the day is not far distant when the same principle of co-operation which now exists among members of particular associations may be put into operation among the associations themselves resulting in the organization of local, state, and national leagues, through which uniformity of operation and legislation

may be speedily secured, thus insuring greater economy and better security in the management of the business of associations and greatly multiplying their popularity and usefulness.

The author thankfully acknowledges his indebtedness to Mr. A. A. Winters, Secretary and Attorney of the Mutual Home and Savings Association of Dayton, Ohio, for the use of reports and circulars; to Messrs. Charles Beuzer, Henry L. Smith, and W. L. Davis, some of Cincinnati's best known secretaries, for the use of dividend tables; to Mr. H. A. Rattermann, Secretary of the Executive Committee of the first Building Association League in Hamilton County, Ohio, for valuable information and assistance; to Mr. H. H. Muller, and other secretaries and officers, for various practical and critical suggestions; and to Mr. Oscar B. Todhunter for editorial assistance. Free reference has been made on all legal questions to the very valuable work of Mr. G. A. Endlich, "The Law of Building Associations."

If the following pages successfully impart the intended information and aid in bringing to individuals and communities the advantages which follow the establishment of building and loan associations and correct methods of conducting them, the author has accomplished his purpose.

HENRY S. ROSENTHAL.

Cincinnati, Ohio, August, 1888.

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CHAPTER I.

CO-OPERATIVE SOCIETIES.

WHAT IS CO-OPERATION ? .

Co-operation is a term applied to a system of united and concurrent effort or labor for some particular end. The specific object of co-operation is usually of a commercial or industrial character. Co-operation as a system consists in a joint-stock co-partnership on ordinary commercial principles with limited liability of members. By the adoption of wise precautions and prudent methods, and through the interposition of judicious legislation defining corporate powers and protecting individual interests, the principle of co-operation does much to encourage self-denial and thrift on the part of individuals, and to develop and foster the material interests and moral welfare of communities.

ORIGIN OF CO-OPERATIVE SOCIETIES.

The principle of co-operation when applied in practice results in the organization of a co-operative society. Such societies are almost coeval with civilization itself. They have existed in some form or another in every enlightened nation. There is no very well authenticated history of the exact form and

operations of the first co-operative societies. It is evident however that, as a rule, they existed upon a crude and restricted basis. It is only within modern times, and especially during the last half-century, that they began to assume the high character and great importance that now attaches to them.

RESULT OF CONDITIONS.

Wherever co-operative societies have existed and for whatever purpose, they have been the same in essential plan and nature. They spring up out of the same conditions and minister to the same necessities and achieve the same results. For the organization of such an association, there must be a considerable population, made up chiefly of persons of small means and dependent upon their daily labor or business for their incomes. The people must possess a good degree of intelligence and similarity of interests and tastes, and there must be a strong element of mutual trust and dependence. These conditions are found to the greatest extent among the manual-laboring classes, and clerks, shop and store assistants, etc. It is only by uniting their meager earnings that these classes can slowly raise their capital to an effective bulk. When this is done upon an economical and prudently devised basis, advantages are secured which would be impossible to the members as individuals. The great bulk of population in all countries is made up of people of these classes and conditions. Their necessities everywhere are the same, and hence it is not a matter of surprise that we find much similarity in the efforts made to meet these necessities.

VARIETIES.

Co-operative organizations have been formed under a great variety of names and for a multiplicity of purposes. But, whatever the name and whatever the purpose, their essential character is the same. Membership in the organization is secured upon some equitable basis by the payment of shares. The traces of such organizations which are found in the history of all civilized countries indicate that they have been engaged in almost every variety of mercantile, manufacturing, and industrial pursuits.

CO-OPERATIVE STORES.

One of the oldest and most familiar forms of co-operation is seen in the establishment of societies for the purpose of distributing articles of daily consumption among their members. A store is established under a manager and assistants, goods of the best quality are purchased on favorable terms, and retailed to members at such small advance on cost price as is sufficient merely to pay expenses and leave a small profit. All sales are for cash. Soundness in the articles bought and comparative cheapness alone are aimed at. There is little trouble in book-keeping—no loss from giving credit. The customers are their own store-keepers, and share equitably in the advantages and profits of the business. Under proper management, and by holding to the ready-money system, such results have been attained as to make these co-operative stores of the highest value to their subscribers.



CO-OPERATION ABROAD.

England, more than any other nation, has been the home of co-operation in its varied forms, and the whole subject has had an amount of attention in that country which is, as yet, unknown here. There has been elaborate, though not scientific and philosophical, legislation upon the subject. Many able writers and statesmen have given it their attention. There is a large amount of literature connected with it, including a number of valuable periodical publications.

The English co-operative societies are of great variety. There are many co-operative stores, supplying goods for members at but a nominal advance over first cost. Some societies engage in the wholesale trade, making a specialty of furnishing goods to the co-operative retail stores. Others import foreign goods and purchase vast quantities of domestic produce and manufactures. Some are engaged in manufacturing, and have built and are successfully operating large cotton factories, flour mills, and other such establishments, which compete in the general field of manufacturing enterprise. Some are engaged in banking and similar financial operations. In all these societies the operators, or employes, receive regular wages and also dividends on the profits. The annual statistics show that vast sums of money are handled by the societies.

In Germany co-operative societies are numerous and many of them have been very successful as mercantile and manufacturing enterprises. Others are engaged in a variety of undertakings, as mining, laundrying, real-estate transactions, etc. But those which are best known are the *Sparkasse*, or "People's

Banks." These have been established for more than a century. They are under very rigid governmental supervision. They pay but a small rate of interest on deposits and loan money on first mortgage bonds and other securities. They have proved of the highest value to the German people.

IN THE UNITED STATES.

In this country there have been many experiments in the way of co-operative effort. The conditions here have been different in many respects from those in the older countries. Moreover, there is a lack of the many years of experience which guides co-operative effort in Great Britain and Germany. Unfavorable conditions, inexperienced management, and the lack of necessary legal restraints and official supervision, have brought failure to many of these efforts at co-operation. However, one form of co-operation has been remarkably successful in this country. This is found in the building and loan associations of which it is the purpose of this work to treat. The conditions here have especially favored these societies. In consequence of this the building associations of this country now compare favorably in the number of organizations and members, in the amount of capital they control, and in influence, with the co-operative societies of various kinds so long established in the older countries.

CHAPTER II.

BUILDING AND LOAN ASSOCIATIONS.

OBJECTS AND CHARACTERISTICS.

The primary or fundamental idea out of which the Building and Loan Association has its rise is that of enabling persons with limited means and small incomes to become the owners of homesteads or real property. It is this idea of purchasing real estate and building homes thereon, that has given to these societies the name by which they are now so generally known. But one who would get his understanding of the practice, work, and nature of a building and loan association from its name only would have very mistaken ideas in regard to the real character of these organizations. The building of houses may be, and generally is, a part of the system of the associations, but it is only an incidental feature of their work. A more significant title for a society of this kind would be "A Saving and Loan Association." The use of the word "Building" in the name of the associations is traditional, having been handed down from the first co-operative societies of this character which were known as "Building Societies."

The Building Association, therefore, while not

necessarily a *Building* Association, is always a *Saving* Society and a *Loan* Association. It is a money-saving institution in that a necessary part of its system consists in the regular depositing by each of its members of a certain portion of his earnings or income. It is a money-making institution in that the funds thus accumulated are so used and applied as to secure for the association a good rate of interest. It is a money-lending institution in that it undertakes to advance or loan to its members upon acceptable security such amounts of money as, from time to time, their necessities demand and their circumstances will allow them to borrow. It is a *popular* institution among that class of persons who compose the membership of such associations since it is thoroughly mutual and democratic in its character, each member sharing equitably in all its advantages and privileges, and having an equal voice in its management.

ADVANTAGES OF MEMBERSHIP.

Persons become members of associations for a variety of purposes. Some seek in them a safe depository for their slowly accumulating funds, thinking them safer when thus deposited than if retained in their own possession. Such persons, moreover, find a strong inducement to become members in the fact that the association provides a safe and convenient method of investing their small means at a good rate of interest. Others use an association as they would a savings bank for the purpose of accumulating a fund to purchase a home, to embark in business, or for some other form of investment. But very many persons become members of associations because of

the privilege which they thereby obtain of anticipating the future and securing the immediate use of money which they will afterwards gradually replace through depositing, from week to week, or month to month, as the case may be, a portion of their regular earnings. Associations will advance to this class of members certain sums of money, the payment of which in installments is secured by the pledge of the stock of the member and the mortgage of some approved real estate, or the depositing of government or other bonds as collateral security.

The theory of the Building and Loan Association, therefore, is very simple. Money is collected in comparatively small sums from large numbers of people, and loaned to others who borrow upon real property or other approved security, either to build homes, or to enter trade, or for any other purpose. With persons of the class among whom associations are most popular, the accumulation of means, when they work alone, is so slow as to discourage much effort in that direction. A co-operative society in the form of a building and loan association furnishes such persons an opportunity for regular and compulsory saving, and enables them, at the end of a certain period, or in anticipation of it, to purchase and to hold real property in their own names, or to secure special advantages in other directions impossible to them under ordinary circumstances. Originally, members of associations were permitted to subscribe only fixed sums at stated times. Now, in the best conducted associations at least, every facility is given for varying powers of investment, and to find a place for capital, little or much, and entrance and withdrawal are

equally easy. In various ways the policy and methods of associations have been varied to meet the convenience and necessities of members so as to popularize them and to render them more practical in their operations.

EARLY HISTORY.

Wherever co-operative societies have existed we find some of them more or less devoted to transactions in real estate, and to assisting their members to become owners of real property and to erect homes. Some references are found to the existence of a society of this kind in London as early as 1798, but there is no reliable and complete record of its history. Among the first co-operative building societies of which we find an authentic and full account is the Union Building Association founded at Greenwich, England, in January, 1809. The purpose of this organization, as declared in its rules and regulations, was the raising by monthly subscriptions of a fund to be expended in building houses. These houses, as they were built, were deeded to the different members of the association. The membership of this society was restricted to the number of fifty, the whole number of shares was two hundred of a value of £210 each. Payments were made in monthly installments of two guineas each. A member was subjected to a fine for default of payments and if he continued delinquent the money already paid in was, under certain conditions, forfeited to the society. Every share in this association represented a dwelling-house. The houses were built under the supervision of the society's inspector and by certain tradesmen specified

in its articles. The houses were distributed among the members by lot, a new house being built as often as the society had sufficient funds. From the time a house was finished, the member owning it paid to the association five per cent. per annum on his share of £210 until the close of the society, at which time each member should have paid in the full amount of the share held by him. Members who were successful in the drawings were compelled to give satisfactory security for the money advanced them for their houses. There were various other rules connected with the operation of this early building association which are quite interesting but which can not be enumerated here.

Another of the earliest building associations of which we have an account was established by the Earl of Selkirk, at Kircudbright, in the south of Scotland, in 1815. The Earl of Selkirk was a gentleman of large means and philanthropic ideas. He is said to have spent considerable time and study in perfecting and developing the scheme of this society. The organization of similiar societies gradually extended into the manufacturing districts of England and Wales. Afterwards they were established in London, and soon became general throughout Great Britain. In the year 1836, they had become of such public importance that an act of parliament was passed affording facilities for their formation and providing for their government and management. Since that period they have had a flourishing growth throughout Great Britain.

Such associations have also long been in existence in other countries, particularly in Germany. Owing

to the frugal and associative character of the German people co-operative efforts of this kind have been very popular among them, not only in their native country but where they have settled in communities elsewhere. Associations in Germany have their own peculiar characteristics and have been remarkably successful and have greatly assisted the material welfare of their membership.

IN THE UNITED STATES.

Published accounts differ as to the first establishment of building associations in the United States. Some writers claim for the associations of this country an English origin, and fix the date in 1836, the year in which the English Parliament first adopted an act for the government of the building societies of Great Britain. This is probably an error. Gustav Körner in his book, "Das deutsche Element in den Vereinigten Staaten," (The German Element in the United States), in speaking of some of the influential and public-spirited German citizens of Pennsylvania, (pp. 73 and 74,) says of Dr. William Schmöle: "In the year 1846 he returned to Philadelphia. * * * We have especially to thank him for the establishment of the first building association in Philadelphia, which was organized under the name, "Amerikanischer Darlehen und Bauverein," (The American Deposit and Building Association). He also was the founder of numerous societies of this kind." It seems to be well established that the first association in this country was formed in Philadelphia, and the passage just quoted, fixes the date in 1846. Dr. Schmöle, through his brother residing in

Brooklyn, N. Y., succeeded in organizing in the same year an association in that city under the name, "Brooklyner Gegenseitiger Darlehen und Bauverein," (The Brooklyn Mutual Deposit and Building Association). In the following year, 1847, through his friend Wolsieffer, Dr. Schmöle secured the organization of an association in Baltimore, Md.

Similar organizations appeared soon afterwards in New York City, Newark and Hoboken, New Jersey, Boston, Mass., and other cities of the North, and, about 1850, they began to be established in Charleston, S. C., Savannah, Ga., and other prominent Southern cities. Associations have continued to spring up from time to time throughout the country, until of late years they have become numerous in almost every state. It is estimated that there are at the present time nearly 6,500 associations in the United States with a membership of 2,000,000, and an authorized stock of over \$750,000,000, of which \$500,000,000 is subscribed, and \$250,000,000 paid in.

The good results which follow the establishment of associations are well illustrated in the city of Philadelphia, where the first one was established. Probably one-fourth of the dwelling-houses in that city have been built through the agency of the associations and much of the permanent prosperity of the city's population is doubtless due to their introduction. It is through this agency that the city has attained the proud and significant title of "City of Homes." Over 60,000 workingmen in this one city have secured homes through these associations.

The first association in Cincinnati, Ohio, was established July 8, 1868. There are now in Hamilton County 400 associations, of which 325 are within the

corporate limits of Cincinnati. The capital stock of these 400 associations averages \$500,000 each, and their weekly income is about \$150,000. When it is remembered that the greater portion of the money thus collected each week is used for building purposes, then the substantial value of these associations in relation to the general growth and welfare of the city is easily recognized. It is highly probable that, were it not for the provision which is made through the associations for the regular laying aside, by the payment of the dues, of a specified portion of the weekly earnings of the members, the money thus saved would be spent for articles of ephemeral or doubtful value, and thus would be in the nature of a permanent loss.

In Dayton, Ohio, is one of the most prosperous associations in existence, called "The Mutual Home and Savings Association." It was organized in 1871. Its volume of business is so great that it has been found necessary to establish a general office and to keep it open during all the business hours of every working-day in the week, and to employ a corps of clerks.

From Ohio, associations spread into Kentucky, Indiana, Illinois, and other states.

In one or two states building associations have proved failures and their formation has been either prohibited or abandoned. This is perhaps owing to improper legislation and methods. But in most of the cities and states where they have been established they have continued to prosper and multiply until their number, and the amount of capital and property under their control, have grown enormously, as is seen from the few illustrations given above.

BENEFITS AND INFLUENCES.

Building and loan associations are now recognized generally as an important factor in the social economy of the country. Their establishment is encouraged by political economists and philanthropists, and they are guarded and fostered carefully by legislation. The large middle class of our population, among whom they principally flourish, recognize them as a means to financial advancement. Their beneficial and economic value in a community is recognized by all classes and hence they are encouraged on every hand as a potent factor in promoting the public welfare. Briefly summarized, some of the chief advantages of the associations may be stated as follows:

1. The character of an association is such that each member has an equal voice in its creation and management, and shares equitably in its advantages and profits.

2. A co-operative enterprise of this character furnishes the best method by which workingmen, and others with limited incomes, can become their own capitalists, thus rendering this class, in a measure at least, independent of other capitalists.

3. An association furnishes a better and safer opportunity than any other plan that has yet been devised for securing a liberal return of profits from small and periodical savings.

4. By means of associations the industrial classes are instructed in the management of money and property.

5. But the particularly striking feature of these associations lies in the fact, that they enable their members to secure the benefit of their earnings in

advance by loaning to the members funds with which to build homes or to embark in other enterprises, which loans they repay in such regular weekly or monthly installments as their earnings will allow.

With the spread of intelligence under our modern civilization there has been an ever-increasing effort on the part of the working-classes to accumulate money. In order to become in any measure independent, a man, dependent upon his own earnings for his income, must constantly practice industry and frugality with intelligent judgment and patient perseverance. Out of the many schemes and systems that have been devised to aid workingmen in this effort, none have proved so popular and successful as building and loan associations. A strong point in their favor is in their purely democratic character and the mutual nature of their benefits. In other systems of saving, the management of the enterprise is vested in a few individuals and the depositors have little more to do with it than the mere mechanical act of making their deposits at the regular periods. In the building association the conditions are entirely different, for here the depositor is also an active manager and partner in the enterprise. He has his voice and his influence in its entire management and direction. There is no separate, preferred class to be benefited at the expense of the other members. Even though a capitalist becomes a member and subscribes for a large number of shares he can derive no benefit or advantage on each share that can not be commanded by the humblest member. He must enter upon the same terms exactly that are required of other members and must stand upon an equal footing

with them throughout. The stockholders elect their own officers, choosing from their own number such persons as they wish to clothe with authority to administer the affairs of the association. By using discretion in the selection of intelligent and honest managers, and then holding them to strict accountability for their policy and management, they insure an economical and faithful administration of the business of the association, in the benefits of which all the members participate.

An association opens to a member an opportunity for profit on his small savings which he can not secure in any other direction. The deposits of all the members, when combined together, form a sum of money of such proportions that it commands opportunities and advantages in the way of investment impossible for the members, acting independently, to secure for their individual savings. Under this system, workingmen become their own self-made capitalists. The combined savings of those workingmen who do not need their money form a sum out of which other workingmen who do need money may supply their wants, and on such conditions that both borrowers and lenders reap a mutual benefit from the transaction. They are thus independent of private capitalists and save for themselves the tribute they must otherwise pay to some money-lender, should they desire to build themselves a home, to embark in business, or to make any other use of money. Moreover, as is seen, the association itself creates the opportunity for the profitable use of capital. The workingman, trained to habits of economy and thrift by the influence of the association, and roused to a

laudable ambition by the opportunities which it suggests and offers, becomes himself a borrower and investor of capital, and supplies his needs for money from the accumulated capital of his fellows.

The plan upon which associations are operated insures the minimum of expense in handling their funds. At the same time the opportunities and sources of profit are unusual and can not be secured to the same extent except through a co-operative effort of this character. Not only is a good rate of interest to be expected from an investment in the shares of a well-conducted association, but, through the system adopted by nearly all these societies, the members receive compound interest on their deposits. The fines and forfeitures enforced against delinquent members constitute another source of profit for members prompt in their payments. The premiums on loans, and the undeclared dividends on withdrawals, are additional sources of profit. The amounts realized from these sources from time to time, like the dues, begin at once to draw compound interest. It is seen therefore that the building association furnishes unusual opportunities to the workingman for securing profits upon his small savings, opportunities indeed which, as has been shown, capitalists themselves can not secure, except upon exactly the same terms and conditions.

Ordinarily a man earning small wages, and especially one having a considerable family dependent upon him, finds great difficulty in meeting the constant demands made upon his purse. Too often, discouraged by his circumstances, he falls into a mere routine way of living, satisfied if, from week to week,

his income meets his expenses. Occasionally, however, a man of this class, more ambitious than his fellows, sets about some plan of his own for regular saving, and thereby gradually accumulates a sum of money. Whether he does this by hoarding it in some secret receptacle of his own, or by depositing it in some bank or savings institution, the act is only a routine, mechanical one and he gains thereby nothing more than a mere addition to his savings. In saving by this plan, a workingman not only loses the opportunity of securing interest or profit upon his savings, but he has no occasion for the exercise of his judgment, and gains no knowledge or experience that would be of advantage to him in the management of a sum of money if he had it. Living thus from day to day in ignorance of the various means of accumulation and investment he is not likely to make much advance in this direction. But should he succeed through constant hoarding in accumulating finally a sum of money of his own, when he undertakes to make an investment he must either run great risk of losing a portion or all of his savings through his ignorance and inexperience, or he must become dependent upon the skill and knowledge of others in the management of his property. This lays a constant tax upon him which serves to cut down his profits to some extent.

It is not necessary to dwell upon the advantages gained by workingmen who are able to secure homes of their own. These advantages are seen in the increased happiness and contentment of families, their greater comfort and better health, increased educational advantages and opportunities, better economy in the general expenses of living, and that

independence of action and bearing which can arise only from the intelligent and regular discharge of the responsibilities and duties incident to this natural and beneficial form of home life.

PROBABLE FUTURE.

The rapidity with which building associations have multiplied is remarkable, and the number already in existence is extraordinary. In many communities they are even now competing successfully with the banks in the amount of capital they control. Wherever they exist, as a rule, a large proportion of the population is identified with them both as stockholders and borrowers. The benefits of such organizations are so apparent and their popularity is so well established that it is evident that they are but beginning to occupy their fields of usefulness. In view of the steady and rapidly increasing development of the country it seems entirely safe to predict that building associations will increase in their number and importance to stupendous proportions in the near future. The growth of monopolies, and the tendency of money to centralization, the organization of syndicates and "trusts" which create false values for real estate and many of the necessaries and luxuries of life, will inevitably, more and more, draw the masses of population into co-operative organizations for purposes of self-defense and financial security and advancement.

The wise legislation which is gradually taking shape in the different states will do much to increase the popularity of associations. The almost limitless adaptability of the building and loan association system to the needs of crowded and growing popula-

tions is only beginning to be fully appreciated in late years. Every decade witnesses the introduction of improvements into the system. Certainly the future is bright with promise.



CHAPTER III.

FORMS OF ASSOCIATIONS.

THE TERMINATING PLAN.

The building association, since its introduction into the United States fifty years ago, has appeared in three distinct forms.

The first associations were on the terminating plan. These were useful. They have now largely disappeared, having given way to more popular forms, though a few are still in existence.

In a terminating association all the stock is issued as of one date. Such an association is organized on the presumption that all the stock will be subscribed at the opening meetings. This, however, is seldom done. The consequence is that shares sold after the first meetings must be sold at such prices as to make them equal in value to those already issued. To do this a sum must be charged equal to the amount already paid in in installments by the subscriber to the original shares. If the regular dues on shares should be one dollar per week, a person subscribing for a share after the association has been running ten weeks, must pay ten dollars for the share. In like manner, if the association has been running for a

longer period he must pay an additional dollar for each additional week. Moreover, if he does not subscribe until after profits have been declared, he must pay such additional amount on his shares as will correspond to the earnings of the original shares up to that time. The same rule holds through the entire existence of the association, each year making it more difficult to enter. After an association organized on this plan has run for a time, it is impossible for many persons who would gladly become members to raise a sufficient sum of money to pay up the back installments, the initiation fees, the accrued profits, and other incidental expenses. In its practical workings therefore, an association organized on this plan is not well adapted to meet the conditions of that particular class of persons who most need such an organization and are most likely to be benefited by it.

In a terminating association all the shares are, of course, at all times of equal value. Whenever the total amount of dues paid in and of accumulated profits equals the par value of all the shares, the association terminates, and its affairs must be wound up. Each stockholder who has not borrowed his money in advance, receives the full value of his shares. To those who have secured their money in advance, their mortgages, cancelled and receipted in full, are returned.

THE SERIAL PLAN.

The second form of association is the serial. It is a development of the terminating. By some this is called the "Philadelphia" or "Pennsylvania" plan. In this form the stock is issued in series, as first

series, second series, and so on. The association usually is chartered for a certain number of years, and with a specified amount of stock. Instead of selling all the stock as of the same date it is divided into series, one series being sold as of the date of the beginning of the first term, the second series as of the date of the beginning of the second term, and so on, until all the shares are sold. The serial issue may be monthly, quarterly, semi-annually, annually, or otherwise, according to what may be fixed as the length of the term. At the end of the first term the assets of the association are divided by the total number of shares in the first series, and the value of these shares at this time is thus ascertained. The second series is then issued and rated at par value. The shares of this second issue run in the same manner as those of the first. At the end of the second term the sum total of the income of the term is divided by the total number of shares in both series, and the equitable withdrawal value of shares in each series is ascertained. Then the third series is issued, and so on to the end. It will be seen that under this plan the older the series the greater the value of the shares. In some serial associations members may join one of the older classes by paying in what would be the total amount of dues and a proportionate share of the profits, that is, the full withdrawal value of the shares at the time of payment. Sometimes, also, on the issue of a new series, old shares are withdrawn and their value taken up in the shares of the new series.

Usually, after an existence of from eight to ten years, the first series reaches its ultimate value, — that

is to say, it matures. The members holding these shares then receive their full value in cash, and borrowing members, whose mortgages become released with the maturing of the series, receive their mortgages cancelled. The association now has reached the period when each series of shares must be paid up as it matures. If it is running successfully it secures an extension of its charter. It then continues issuing new series of stock at the beginning of each term. If its full amount of stock has been subscribed each new series now takes the place of the old series that has matured, so that the total number of shares thenceforth continues the same.

This plan may be compared to a piece of machinery which consists, say, of ten cog-wheels, which operate one grand revolving wheel. These ten smaller wheels are numbered from one to ten and are inserted one after another in their regular order. When number one has been running ten years it is worn out, whereas, number two has been running but nine years and has one more year to run, number three has been running eight years and has two years to run, and so on. When number one wears out at the end of ten years a new number one is inserted in its place which will run ten years. At the end of the next year a new number two is inserted, and so on, perpetually. And thus the old machine is kept constantly in repair and in perfect operating form.

It will be seen that the serial association is a great improvement over the old terminating plan, inasmuch as it is much more practicable and adaptable in its operations to the demands likely to be made upon it. It provides for the constant introduction of new mem-

bers and new money, and has in it the elements of permanency and perpetual operation.

This plan originated in the city of Philadelphia, where building associations have had their greatest demonstration of practical usefulness. From Philadelphia it spread abroad until it became the prevailing form of association throughout the country. The serial associations are more numerous at present than any other form.

THE PERPETUAL OR PERMANENT PLAN.

As the building association became better understood and more popular a demand arose for some form of association more pliable and adaptable than either the terminating or the serial form. A new modification then appeared which has been styled the perpetual plan. This had its origin in Cincinnati and Ohio, where it has been very successful and popular, so much so that it has spread through other states. Under this plan associations are granted perpetual charters, the amount of their capital stock being fixed at a certain sum. They are allowed to begin operations as soon as a certain portion of the stock is subscribed. After the association is in operation new members are allowed to enter at any time on an equality with the original subscribers, the stock of each member dating from the time of his entry. Thus the business of the association runs along from year to year until finally all the stock is subscribed, when an additional amount of capital stock may be added. After a time the shares first issued begin to reach their full value. As they thus mature their owners draw out their money—if they

have not borrowed it in advance—and their shares are cancelled and their membership ceases. If they have borrowed their money in advance their mortgages are returned to them, receipted in full. If a member, whose stock has thus matured, has not borrowed his money in advance, and does not wish to draw it out, a certificate of paid-up stock is issued to him, and he leaves his money in the association as a matter of investment.

Under this plan members have the same privileges of withdrawal as of entry. They may withdraw at any time by complying with the rules of the association, receiving their equitable share of the assets. Experience has shown that it is possible so to work out the plans for the calculation of dividends, premiums, interest, etc., and so to arrange all the other details of the operations of an association, as to be able to treat each share equitably upon its own merits, without in any way interfering with the interests of any other share.

This form of association is a still farther development of the original plan. It adapts the operations of such a co-operative society to the actual necessities and the possible emergencies of such persons as need its benefits. In a sense the introduction of this plan marked the beginning of a much more general popularity of associations. Since its introduction they have begun to spring up in large numbers in all sections. It seems likely* that this will become the general form which building and loan associations will eventually adopt. Nevertheless many and marked improvements are still to be expected.

THE "NATIONAL" PLAN.

The building association has been recognized as one of the most useful institutions for the welfare of society and the best development of the country, To such an extent is this true, that both in the United States and in other countries special immunities and privileges have been conferred upon such societies by legislative enactment. The restrictions of the usury laws have been removed in their favor, and various other privileges have been accorded them, in order to promote their usefulness. Under such legislative fostering they have reached their remarkable popularity and prosperity.

Out of their success itself has sprung up a danger which is seriously threatening not only their continued usefulness, but their very existence. A building association is, in its very nature a mutual, co-operative, democratic society, the affairs of which are managed by its own members for their own mutual interests. It is a *money-saving* institution, and is not, and in no speculative sense can be, a *money-making* institution for some of its members at the expense of others. It deals only with members. All that comes into it comes from members, and all that goes out of it goes to members. There are no outside "producers," and there are no outside "beneficiaries." This being the nature of these societies it is apparent that they must be local in their organization and operations. This is essential in order that the members may have a personal knowledge of one another, and also that all the members may have a personal knowledge of all the affairs of the association, and may participate in their management.

Taking advantage of the popularity of the local or genuine building and loan association, certain financiers (?) have sought to utilize the popular confidence in this form of co-operation for their own benefit. They have instituted what they have called "National" building and loan associations. They represent that their institutions are a development of the regular local building society into national proportions, with a corresponding increase of privileges and advantages. The sophistry of their arguments is about on this wise: If a local association, operating in a single community in one state, pays a profit of four per cent., will not a "National" association, operating in say twenty states, be able to increase this profit in proportion to its field of operations? We put this in this extreme form in order to emphasize its manifest absurdity.

In the nature of things these so-called "National" associations must be ephemeral. They cannot last long for they have no real foundation. Moreover, what has been probably the most damaging to their existence, is the fact that a number have been conducted by unscrupulous people, after unscrupulous methods, for unscrupulous purposes. Nevertheless, at the present, they threaten very imminent danger to building association interests, and it is worth while to give them some attention in a publication of this character.

Local building societies have existed in England for nearly three-quarters of a century. There are now nearly 3000 such societies in Great Britain, with annual receipts of over \$150,000,000. In the United States there are at present, according to

the best estimates, over 6500 building associations, with a membership of nearly 2,000,000, and estimated annual deposits of over \$100,000,000. These figures show to what stupendous proportions these co-operative home-building societies have grown. They have proved the most successful economical institutions of the world's history. So conservative and careful has been their management that less than one-tenth of one per cent. will fully cover the entire losses in these institutions during the past decade.

Now, what object can any set of men have in attacking directly or indirectly, openly or insidiously, an institution with such a record as this, unless it be some selfish and unscrupulous one. They would steal the popular name of building association to cloak their own nefarious purposes, and thus disguising them seek to transfer the public confidence in this institution to their own unworthy enterprises. They may say, they do say, that they have no attacks to make upon "local" building associations. The very fact that they would attempt to make a classification of associations is an attack upon the genuine institution. A building association can not, in its nature, be anything but a *local* institution. When they represent that their institution is of a *national* character, and in consequence is better and more desirable than the local society, what can this be but an attack upon the local form of co-operation? And since the local feature is an absolutely essential element of a building association, any discrimination against, or attack upon, this feature of an association is a discrimination against and an attack upon the association itself.

We would not hold, we do not hold, that there is not and can not be any form of *national* industrial, commercial, or financial co-operation. What we do maintain is that in the very nature of the institution itself there cannot be such a thing as a "National" building association. These points will hold against the so-called "National" building and loan associations:

1. They are not mutual in their character, for some members profit at the expense of others, and out of proportion to their individual holdings.

2. They are not democratic or mutual in their management, from the fact that the officers perpetuate themselves in office, and fix their own remuneration, and the stockholders are not advised of the transactions of the concern, and do not and can not participate in its management.

3. They are not economical and conservative in their management from the fact that their expenses consume a very large percentage of their receipts; they are not open in their character, for their business is conducted secretly and not reported in detail to their members or to the public.



CHAPTER IV.

BUILDING ASSOCIATION LEAGUES.

NECESSITY FOR CO-OPERATION.

The necessity for greater uniformity in the methods of associations has led to various attempts to secure some plan for more concurrent and harmonious action among them. The most promising and successful attempts in this direction are seen in efforts to establish leagues, in which representatives of associations can meet for consultation and exchange of views, and the perfecting of the best plans of operation for associations.

In the older countries, where co-operative societies have been long in existence, co-operation among the societies themselves is better established than it yet is in the United States. But already in this country the necessities growing out of the circumstances have compelled building societies to unite for their own better protection and development. In quite a number of states building association leagues are already in existence, and others are in process of organization.

HOW TO FORM A LEAGUE.

Inasmuch as the organization of state leagues is a matter claiming a great deal of attention at the present time, and is likely to continue to do so for some time to come, it may be well to give some more or less specific suggestions as to how to organize and conduct a league.

It will be necessary for individuals interested in the promotion of building associations to take the initiative. These should confer together by letter, or otherwise, and should agree upon the best man to lead the movement. Then he, with others, should issue a call for a meeting of representatives of associations for the purpose of establishing a state league. Those attending this convention should come formally or informally representing their respective associations. It is the better plan that the call for the convention be issued some time previous to the date of its meeting, so that the matter can be brought before the directors of different associations and they can arrange to send regularly appointed delegates and to pay their expenses. This, of course, would tend to make the meeting larger and more representative. Again, where the attendance is of a purely voluntary character, it may not be the most desirable persons who will attend and take a prominent and influential part in the proceedings. Associations should send to such a meeting their most experienced and best informed members so that their action may be wise and conservative. When the convention meets it should effect a temporary organization by the appointment of a chairman and a secretary and a committee on business. An informal

session should then be held for the presentation of matters and suggestions by the different delegates present which should be referred to the committee on business. The session should then adjourn to give the committee on business an opportunity to arrange a program for the proper consideration and disposition of the subjects presented, and any other matters that may come before the meeting.

The proceedings at the further sessions of the convention must be governed by circumstances. As to the final organization of the league two or three things may be said.

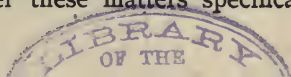
1. The organization should be simple. Not a cumbrous but an effective machine is what is required.

2. The constitution and by-laws should be brief and to the point, specific, and at the same time, comprehensive. They should be drawn with the sole idea of giving practical effectiveness to the organization.

WHAT A LEAGUE CAN DO.

The work of a league will divide itself into two branches:

1. The primary purpose in the organization of a league will be to secure legislation favorable, and to prevent legislation inimical, to the interests of associations. In pursuance of this purpose at the meetings of the league matters for consideration can be sent up from associations in all parts of the state and working under divers circumstances. The league delegates, representing the whole building association interests of the state, can consider these matters specifically



and arrange to have them formulated in the most desirable way. A league being established, it is possible to send a delegation representative of building association interests before the legislature on short notice at any time, whereas, in the absence of such a league, matters of grave importance must go by default, and association interests suffer in consequence, because it is the business of no particular person to represent them before the legislature.

2. A second matter of great importance to associations is the opportunity which the existence of a league affords for the discussion of all questions connected with the practical management of associations. As is well known there is not uniformity of method in disposing of various matters in different associations. In some associations one phase of the business may be handled by a better method than in another. Delegates, coming together for the discussion of these practical questions, may learn much from one another which will be greatly to the advantage of their respective associations.

There are many other incidental advantages which may arise from the establishment and the regular meetings of such a league which will readily suggest themselves to any thoughtful person. Such Congresses have become a striking feature of co-operative work in England.

LEAGUE MEMBERSHIP.

Of course the work of a league can not be carried on without some expense. Nevertheless, if a league is properly organized and managed, the expenses need not be heavy. To meet these expenses each associa-

tion which becomes a member of the league should pay a small fee. So far in the history of leagues this fee has usually been fixed at five dollars annually. In case additional funds are necessary it is easy to increase the annual dues or to make some other provision for raising them.

It is very important that every association should become a member of its state league. A state league is charged with protecting the interests of all the associations in the state. In order that this work may be done intelligently all the associations should be represented in the league in order that their respective needs may be properly presented and fully understood. The league, like the associations themselves, is a mutual and co-operative institution. Associations, therefore, should identify themselves with it so as to make it co-operative in fact as well as in name. Again, since the league protects the interests of every association in the state, each association should bear its proper share of the expenses and labor connected with the work of the league. It is not fair where there are, say, three hundred or four hundred associations in a state, for twenty or thirty of them to bear the full expense and labor of looking after legislation, perfecting methods, and-so on.

It ought to be borne in mind also that while a league is an organized body its work must be done by individuals. While the expenses of delegates to the league meetings are usually borne by the associations they represent, yet these individual delegates must lose their time from their own private business, and incidentally are put to no little inconvenience and oft-times expense. Their work if well done is laborious

and painstaking. These things are especially true of the officers of leagues. Under these circumstances they should certainly have the cordial and unanimous support of the whole interest which they represent, thus, in a measure, lightening their burdens and giving them such a standing and prestige as will make them far more influential in securing the ends for which they labor.

A NATIONAL LEAGUE.

Sooner or later a national league will be organized to represent the entire building association interests of the country. Through the system of co-operation among associations thus brought about correct statistical and other information will be collected and disseminated, methods of organizing and managing will be perfected and simplified, greater economy and security will be secured, legislation will be improved and made more uniform, and the interests of associations and their members greatly enhanced. The advantages and necessities of such a method of co-operation are so evident, and the cost would be so slight, that it would seem to be only a matter of a short time until it will be established.



CHAPTER V.

LEGISLATION.

ITS NECESSITY.

The necessity for judicious legislation for the control of building associations is apparent. Immense interests to citizens and the state are involved. If the associations are of value at all, they are closely identified with the material and moral welfare of communities. It is of the highest importance therefore that their corporate rights and duties should be clearly defined by statute, and that the individual rights of members should be carefully guarded, and their duties and privileges specifically defined.

The rapidity with which associations have multiplied, and the immense aggregate which the business they transact has reached, have caused them more and more to attract the attention of the various state legislatures. The many different people that are chosen to these bodies, representing so many different sections and varied interests, with many ideas and diverse views, and not a few of them with no knowledge of or experience in building associations, establish conditions out of which have sprung up legislation, some of which is wise, — and some of which is otherwise.

Many conservative and useful laws have been enacted which have materially promoted the interests of the country. On the other hand there has been no little patch-work and superficial legislation which sometimes has proved detrimental to the cause it was intended to benefit. The very fact of the growing popularity of associations has made many of our statesmen a little too ambitious to legislate for their interests, which has resulted in the introduction and adoption of various impracticable and unwise measures. But the time has arrived when, through experience, the people generally are becoming better informed as to the real nature and functions of associations. The light of the press is also turned upon the subject. The establishment of state leagues has made it possible to reach legislators in a formal, representative, and influential manner. Legislators are wiser than formerly. If an improper measure is now introduced into any legislature there are faithful and intelligent guardians of the interests of the associations, either within the legislature or without, who will quickly turn the light upon it and expose it.

What is most needed in some states, perhaps, is not more legislation, but less, and of a better and more practical character. Uniformity is also something to be greatly desired, that is to say, such uniformity as is possible and proper according to the varied circumstances in the different states and communities.

STATISTICS.

One of the most promising features of the building association movement is seen in the fact of the continued inquiry for statistics giving reliable informa-

tion. This inquiry for specific knowledge of this character has already induced a number of the states to arrange for the collection and publication of full statistics and information in reference to associations. Among the states to lead off in this work were Massachusetts, New Jersey, New York, Illinois, Indiana, Nebraska, Kansas, Maine, Ohio, and other states. It should not be long until all the states have bureaus of building association statistics. It is very probable and desirable that a national bureau of this character be established at an early day.

IN ENGLAND.

The success of the Greenwich Union Building Society, and of other early organizations of the kind in England, soon attracted the attention of the government. So important was the movement indicated by these organizations considered, that in the year 1836, an act of parliament was passed giving building associations legal recognition, providing ample opportunities and inducements for their formation, and making full provision for the protection of their members. English societies operated under this act until 1874, when a new act, very liberal and elaborate in its provisions, was passed.

PROVISIONS OF THE ENGLISH LAW.

The English law seems to have been the basis upon which most of the legislation in this country relating to building associations is founded. A brief synopsis of its provisions will therefore be of interest. It declares that any number of persons may establish a society, either terminating or permanent, for the

purpose of raising, by the subscriptions of the members in stock or funds, means for making advances to members out of the funds of the society upon security on freehold, copyhold, or leasehold estate by way of mortgage; and any society under the act shall, as far as it is necessary for the said purpose, have power to hold land, with right of foreclosure, and may from time to time raise funds by the issue of shares of one or more denominations, paid either by periodical or other subscriptions, and with or without accumulating interest, and may repay such funds, when no longer required for the purpose of the society. Societies are empowered to receive deposits or loans from members or other persons, corporate bodies, joint-stock companies, or terminating building societies. Societies established under or adopting the act of 1874 are bodies corporate, having perpetual succession and a common seal, thus dispensing with the cumbersome and inconvenient system of trusteeship. The rules must specify the society's name and place of meeting, terms of withdrawal and repayment, manner of alteration of rules, the appointment, remuneration, and removal of officers, provisions as to general and special meetings, and the settlement of disputes, custody of seal, mortgage deeds and securities, powers of directors and other officers, fines, and modes of dissolution. Societies may unite with others. One society may transfer its engagements to another. They may purchase, build, or hire, or take on lease, any building for conducting their business. Minors may be members, but can not vote or hold office during non-age. Accounts are to be furnished to members annually. The societies are exempt from

stamp duties, except those upon mortgages. Receipts indorsed upon mortgages are sufficient discharges without conveyance.

The law of 1836 provided for the appointment of a special board of commissioners to superintend the work of the Loan Fund Societies of Ireland. This was called the Loan Fund Board. All societies had to register with and report to this board, whose duty it was to see that the societies conducted their affairs according to the provisions of the new law.

DEFECTS IN THE ENGLISH LAW.

Upon analysis it will be found that the English acts governing building societies are not philosophical and harmonious in their construction. They were rather spontaneous and sporadic in their origin, springing up from time to time out of necessity, or to meet some special interest. It would not be in place here to attempt an analysis of the English statutes, and to point out their contradictory and inharmonious provisions. It will be sufficient to quote a passage from the masterly work* of an English writer, Mr. Henry F. A. Davis. He says: "This (act) has been unfavorably noticed by some learned judge who has had to decide a question arising under it. A piece of legislation more resembling patch-work it would be difficult to find anywhere. Two acts of parliament, originally intended to regulate associations having very different objects in view from those contemplated by building societies, — and having, as a writer in the

* The Law of Building and Free Hold Land Societies, 3d edition, H. Sweet & Sons, London, England.

Jurist once observed, internal evidence of their having been passed during the chaos of a legislative convulsion, — badly conceived and badly executed, were by a third act, if possible, more clumsy than either, incorporated so as to form the code which was to govern building societies.”

IN THE UNITED STATES.

The history of associations in the United States is yet recent. The associations, which appeared slowly at first, and, later, more rapidly, were organized, partly as unincorporated, voluntary associations, and partly under charters obtained under the general acts of several of the states authorizing the incorporation of beneficial and other such associations. The rapid development of the country led to a like rapid development of building associations, so that legislation soon became imperative. During the years from 1850 to 1860 most of the older states endeavored by legislation to regulate the formation, powers, and management of building associations. Since 1860 the newer states have taken up the subject. At the present time, in nearly all the states and territories there is some statutory provision for the government of associations.

Building associations are, as a rule, recognized by the different states as a class of corporations distinguished from every other, peculiar alike in their privileges and disabilities. Some of the early legislation connected therewith may be classed as hasty, having been adopted by legislators ignorant and inexperienced in the subject, and with no commensurate precedents for their guidance. But of late years the subject has received more intelligent attention, and many legislators have given much study to the various problems

connected with it. As a result legislation is gradually assuming better form in the different states. But it must be confessed that there is still room for improvement. It does not seem likely that building association laws will ever reach that degree of simplicity, perfection, and uniformity, which their great importance demands for them until some system of general co-operation among the many people interested in them in all the states and territories is established. This will hardly be brought about until the system of leagues, suggested in another place, is accomplished.

LITIGATION.

Not only has the legislation, under which associations have operated, been imperfect, but the associations themselves have, not infrequently, been organized by persons both inexperienced and uninformed in such matters. It has happened, therefore, that, through crude legislation on the one hand, and crude organization on the other, many associations have failed to a greater or less extent in fulfilling their purpose, and that, in most of the states, litigation has arisen in consequence.

It would be foreign to the character and purpose of this work, to undertake to give digests of the laws of the different states and territories in reference to associations, or to give an account of the cases arising under these laws, and of the decisions that have been rendered in the different courts. Such matter belongs in a work of a legal rather than of a popular character. Members of associations should look to their regular legal advisers for information and instruction upon all mooted or doubtful questions of a legal character.

CHAPTER VI.

HOW TO ORGANIZE.

NECESSARY CONDITIONS.

In seeking to establish a building association, it is necessary to bear in mind the conditions, which have already been stated, which are essential to make such a co-operative undertaking successful. There must be a community of wage-earners, or of persons with small incomes, and the element of permanency in the local enterprises from which the incomes of the community are derived. This element of permanency is usually found in the extensive manufacture of staple articles, in the sale of the same in populous districts, in market-gardening and other forms of agricultural pursuits, in mining, and in numerous other industrial occupations.

Building associations have so multiplied in some communities that there is already competition among them. Where numerous associations already exist of course the question must be carefully considered as to whether there is a real demand for another. Associations are sometimes brought into existence, not so much from the actual wants of the people who are induced to become members, as in response to the

efforts of some individual or individuals who have their own private ends in view. Some person engaged in trade of some character may desire to organize an association and have it meet at his place of business or in his vicinity so as to draw in custom for him. Some attorney may take an active part in the organization of an association in order to increase his clientage. Some one interested in a real estate transaction may organize an association in order to find a market for his lands. These motives are all well enough in their way, provided there is back of them a real need for an association on the part of the people themselves who are to compose it.

As matters now are in some communities it would seem far more proper to consider the question of consolidation, and the reduction rather than the increase of the number of associations.

PRELIMINARY STEPS.

Great importance attaches to the first steps taken toward the organization of an association. Unless a good foundation is laid in the beginning the enterprise will most likely prove a failure. Great care must be taken to have only trustworthy men connected with the initial, as well as all subsequent, proceedings.

When the proper persons have been interested in the movement it is well for them to attach their names to an agreement to share equally in the liability for the preliminary expenses, such as advertising, rent of place of meeting, blanks, books, etc. A public meeting of those interested should then be called in some convenient and respectable place. At this meeting

temporary officers should be chosen. These consist usually of a chairman, a secretary, a treasurer, and an attorney. These should be persons of some influence in the community, and should have had some experience in conducting public meetings. Some one should be present at such meeting who is prepared to make a clear explanation of the purposes and workings of a building association. After this explanation is made the subject should be thrown open for general discussion under the usual parliamentary rules.

It may not be possible at the first meeting to determine finally in reference to the advisability of attempting to organize an association. The meeting may decide to appoint solicitors to make a preliminary canvass, so as to discover the probability of securing a sufficient number of subscribers to justify the attempt. For this or other satisfactory reasons it may be necessary to hold a number of preliminary meetings before attempting a permanent organization.

It will not be out of place to drop the caution that much care should be exercised to keep the preliminary expenses as low as possible. Services rendered by individuals should generally be gratuitous, and the expenses for necessary supplies may be made merely nominal.

CHOICE OF NAME.

When it shall have been decided finally to proceed with the organization, the first thing to be done is to choose a name. In making this choice the following matters must be borne in mind: (1) That the name must, in its form, correspond to the requirements of the statute under which the association is to organ-

ize; (2) It must not be identical with, or bear a close and misleading resemblance to, the name of some other similar organization in the place where organized; (3) It must not be of such general descriptive character that the association can not by using it acquire exclusive rights in it; (4) The name must not be improperly or prejudicially assumed, and must not be misleading in its form or character.

CAPITAL STOCK.

It will be necessary also at an early stage in the proceedings to determine upon the amount of capital stock of the proposed association and the number and value of shares. This is necessary in order that the subject may be canvassed intelligently in the community. The number and amount of shares should be determined by the local circumstances. In larger cities the capital stock of associations varies from \$200,000 to \$5,000,000. Shares range from \$100 to \$500 each. The regular dues or stock payments are generally 25 cents, 50 cents, or \$1.00. In the smaller towns the capital stock of associations varies from \$50,000 to \$1,000,000, shares being from \$100 to \$500 each, payable in weekly or monthly installments. The number of shares which one member may hold should be restricted within reasonable limits so that the association can not be controlled by a few large shareholders. This is especially necessary when stockholders are allowed as many votes as they have shares of stock. In some states the laws provide that no stockholder may vote more than a certain number of shares, — twenty for instance, — though he may own as many as he desires.

The name of an association and the amount and value of stock are of course finally recorded in the constitution and articles of incorporation. The whole subject of *Capital Stock*, which is of great importance, is fully discussed in its appropriate place in another part of this work.*

THE CONSTITUTION.

The most important matter connected with the organization of an association is the framing of the rules or articles under which it is to operate. This task should be placed in the most competent and experienced hands, and their work should be carefully scrutinized before adoption. That part of the rules, which is to become the organic law of the association, the constitution, in its essential features at least, in some states must pass under the inspection and approval of the incorporating authorities, and in fact form part of the articles of incorporation. As the constitution becomes the fundamental law, it should be framed with a view to permanency, allowing only the most imperative necessity, and, as nearly as possible unanimity, to change it. For this reason its provisions should be well understood and be clad in plain language, devoid of clouded and doubtful phrasing. All minor regulations should be omitted therefrom and be reserved for the by-laws and rules of business.

Not only should the constitution have the utmost care and forethought on the part of those drafting and adopting it, but it should, if possible, be based upon some model which has stood the test of experi-

* See Chapter VII.

ence. It is found that much the larger part of the litigation that has arisen in the different states in connection with building association affairs, is owing to the careless and crude manner in which constitutions and rules are framed. Courts have complained much about the negligence displayed in the wording of these important documents. It is not uncommon indeed to find contradictory provisions in the same constitution relating to important matters.

BY-LAWS.

After the constitution has been adopted, a set of by-laws should be prepared for the internal government of the association in accordance with the constitution and with generally accepted parliamentary usage. Many associations make the mistake of including all their rules in the constitution. The by-laws are not of an organic character but simply express an agreement among the members as to how the different parts of the work of the association should be carried on. They should therefore be kept separate from the constitution so that they may be changed and modified from time to time as may suit the convenience or necessities of the association and its officers and members.

The by-laws must conform to the constitution of the association and to the general principles of common justice and equity and must be reasonable in their requirements. A by-law is presumed to be enacted by the common consent of all the members of the association. If therefore a by-law shall be enacted that infringes upon the common rights, or the rights established by contract, of any member it is void. In like manner, if a by-law is repealed and

thus injustice is done to any member whose rights were before protected by the by-law, such action is void. The enactment of new by-laws can not add additional requirements to contracts in existence before their enactment. By-laws must not be enacted which, from their nature, can not be enforced, or which are evidently of a "vexatious, nugatory, and oppressive" character. Nor can a by-law be enacted which has the effect of restricting any member from legal rights and remedies.*

INCORPORATION.

The different states have different methods of providing for the incorporation of stock companies for business and beneficial purposes. A number of the states have, in addition to this, made special provision for the incorporation of building associations, treating them as a special class of corporations with special powers and disabilities. After the constitution has been adopted or, sometimes even before this has been done, articles of incorporation should be prepared and forwarded to the proper authorities for acceptance and record. Much care should be taken to secure, as incorporators, the best and most influential persons available. A certain amount of stock must be subscribed, usually ten per cent., before the association can be incorporated.

There are different methods of incorporation in the different states. They are known as incorporation by voluntary association, by special act of the legislature, by decree of court, and by letters patent from the executive. The drafting and securing of

* In the Appendix will be found form for Constitution and By-Laws.

articles of incorporation should be placed in the hands of competent attorneys. Forms of incorporation papers in common use in Ohio, are given in another place.*

OFFICERS.

The constitution generally names the officers of the association and the time and method of their election. As soon as the constitution and by-laws have been adopted it will be necessary to complete the permanent organization of the association by the election of the prescribed officers according to the method laid down in the constitution. The same care must be exercised here as in all other steps incident to the formation of an association. The officers are to occupy very responsible positions and should be men possessing ability, integrity, and popularity. Practically they will have full control of the affairs of the association. Its success will depend very largely upon the attention they give to its business. The interests of shareholders will be promoted or injured according to the degree of faithfulness and ability with which they discharge their duties.

HEADQUARTERS.

Before an association can go into regular operation, it will have to establish permanent headquarters. These should be inexpensive, centrally located, convenient, clean, and respectable. Many an association has failed to reach its greatest degree of usefulness simply because it has made a mistake in locating its headquarters.

* See Chapter on Forms.

The headquarters should be fitted up inexpensively but conveniently. There should be desks, tables, and seats sufficient for the transaction of the business of the association. Each association should have a safe for the proper protection of its books, papers, and such sums of money as may be temporarily in the hands of its officers. The officers are made responsible for the custody of the property of the association, and are compelled to give bonds for its security. They should be provided with a safe place of deposit for everything for which they are made responsible.

After the headquarters have once been established it should be understood that they constitute the regular business office of the association, and that all communications, notices, etc., intended for the association should be addressed to these headquarters, and that they will, if so addressed, receive prompt attention. This implies, of course, that there shall always be some one in, or adjacent to, the headquarters to receive such communications, and that the officers, — the secretary particularly, — will visit or communicate with the one in charge of the meeting-place, to give personal attention to any business that may require it.

All members must be notified promptly of any change in the place of meeting.

An attractive sign should be conspicuously displayed at the headquarters, advertising the association. This sign should give the name of the association, the number and the value of shares, the rate of payments required, and the dates and the hours of the meetings. Many an association has received new members through the display of an appropriate sign. Directors

should not be over-economical in this connection. Money judiciously expended in advertising an association will bring desirable returns.

In England the statutes require building societies to display signs in some such form as described above. On these signs, and on all the printed matter, the word "Limited" must always follow the title of the society. This is intended to show that the liability of shareholders is limited to their actual shares in the society.

MEETINGS.

Meetings should be held generally in the evening, that evening being selected which is most convenient to members and officers. It is well, if possible, to select an evening on which no other association meets in the vicinity. Monday or Saturday evening is usually the best for meeting, for workingmen are generally paid on those days and like to make their weekly deposits at once. From October to April the hour for receiving dues, etc., may be from 7:30 to 8:30 P. M., and from April to October from 8 to 9 P. M. After this time the directors hold their regular meetings. But this question should be governed entirely by local circumstances and the convenience and wishes of shareholders.

NEW LEGISLATION.

The suggestions of this chapter are necessarily of a general character. In each state they must be carried out according to the conditions established by the existing statutes. So many new laws are being enacted that changes are necessary in the details of the organization and work of associations from time to time.

CHAPTER VII.

STOCK AND STOCKHOLDERS.

STOCK AND SHARES.

The stock of a corporation is defined to be "that money or property which is put into a single corporate fund by those who, by subscription therefor, become members of the corporate body." This common fund or stock is divided into equal parts called shares. The number and value of shares into which stock is divided is fixed by the general statutes and by the rules of the association. A person becoming a member of a corporation subscribes for a certain number of these shares and is known as a shareholder or stockholder. This subscription binds him to pay into the common fund in regular installments, the sum represented by all of the shares for which he has subscribed. The number of shares one member may hold is usually fixed by the constitution or by-laws. In some states the statutes fix the number of shares that may be held by any one person or corporation. In some instances no limit is fixed to the number of shares that may be held, but only a specified number may be voted. The minimum amount of stock to be taken — that is to say, the number of shares for which

subscriptions must be made before an association can begin operation — is generally determined by the state laws and the rules of the association.

INCREASE OF STOCK.

The maximum capital stock of an association is fixed originally in the articles of incorporation and by the constitution. But in most states it is competent for the association, by virtue of authority given it for that purpose in the charter, to increase the stock within the limits established by the statute, and in the manner required to legalize such change. This increase of stock should be made only when all other stock is taken by *bona fide* subscription, since its issue involves additional expenses. An increase of stock must always be made in strict accordance with the legal provisions, and should therefore be undertaken only under competent legal advice. There can be no uniform rule laid down concerning increase of stock. All depends upon the nature of the association, the rules it has adopted, and the provisions of the statutes under which it operates. In terminating associations, for instance, there can be no arrangement for increase of stock as the term is generally understood.

STOCK AS PROPERTY.

The ownership of a share or shares of stock in a building association does not give the holder a proprietary right in the property of the association. It simply gives him the right to share in the surplus profits obtained from the use and investment of the revenues of the association. The funds of the association may, for instance, be invested exclusively in

real estate. The shares are nevertheless merely personal property and do not entitle the holder to any individual proprietorship in the real estate belonging to the association.

SHARES TRANSFERABLE.

Shares of stock in a building association may, like other personal property, be transferred from one owner to another. The transfer is made "by assignment and delivery." The method of transfer should always be specified in the constitution or by-laws of an association. Of course no transfer of stock can be made when such transfer trespasses in any way upon the corporate rights of the association. A member who is in arrears can not transfer his stock until he makes settlement to date. On the other hand the association can not resist such transfer where the holder of the stock has complied with all the necessary conditions. Usually a fee, called the transfer fee, is charged to the person to whom a transfer is made. This is an equivalent to the admission fee charged to new members.

STOCK PAYMENTS OR DUES.

A member of an association is the holder of one or more of its shares of stock. The par or paid-up value of a share is fixed in the constitution at such amount as may be decided upon, generally from \$200 to \$500. This par value of a share is its *expected* value. Its *actual* value is a very different thing, especially during the first years of a shareholder's membership. A subscriber for a share of stock of the par value of \$500 has simply made an agreement to pay into the asso-

ciation a regular weekly or monthly installment of a certain amount, which periodical payments are to be continued until the accumulated payments, together with the accrued dividends thereon, shall amount to the sum stipulated as the full value of the share. These periodical installments are called stock-payments, or dues. It is seen, therefore, that the actual value of a share at any time is determined solely by the amount paid in and accumulated up to that date and not at all by its face value. The regular payment of these periodical contributions by members is the prime dependence of the association for its success as an enterprise. The constitution and by-laws of every association, therefore, must prescribe carefully, the time and manner of making these payments, and fix penalties for default of payment. This subject is discussed further in its appropriate place in another chapter.*

PAID-UP STOCK.

A share of stock is paid-up when it has reached its full value.

Generally shares are paid for in regular periodical installments, as explained in the preceding section. Since each stockholder shares equitably in the profits of the business of the association, from time to time dividends are declared and placed to the credit of the different stockholders. These dividends may be drawn out, but are usually left to stand to the credit of the shareholder. When the total amount of dues and dividends to the credit of any stockholder equals

* See Chapter VIII.

the full amount of his shares, the shares are paid-up or have matured.

A subscriber to the stock of an association who simply is seeking a safe and profitable investment for his money may prefer to pay in the full value of his share or shares in one payment at the beginning, instead of in numerous small periodical payments. In this case the stock is paid-up, or matures, at the very beginning.

If the owner of paid-up stock does not desire to draw out his money the directors may, at their discretion, issue a "certificate of paid-up stock" to him. Paid-up stock is entitled to share in the earnings of the association like running stock, unless restrictions are made in the constitution or by-laws. Holders of paid-up stock may withdraw it, the same as running stock, upon proper notice. Paid-up stock certificates are negotiable and may be sold or transferred, like the stock of a bank or other corporation.

It was formerly the custom, which is still followed to a great extent, to pay off shares as they matured in the regular course of the association. In a terminating association this of course must be done. In the serial associations, where all the stock of each series matures at one time, it is necessary that there must be a large accumulation of funds toward the end of the series to meet the stock payments which will then become due. The disadvantages arising from such a necessity are readily understood. In the permanent or perpetual associations, where shares are maturing in small numbers from time to time, this large accumulation of funds to pay them off is not a matter of so much consequence. The constant addition of new

members supplies the necessary funds to meet the withdrawal of the maturing shares.

It is always a question worth considering as to whether the funds should be withdrawn from the association when shares mature. On the one hand, the association may be able to use the money to good advantage and may be crippled in its operations by its withdrawal. This is especially true in the case of a serial association, for it is necessary for the association to hoard its money for quite a while in advance and then to part with the large amount thus saved up. Of course this must limit its operations. On the other hand, unless the owner of the stock has some specific use for it, as in the purchase of property or the paying off of a mortgage, or something of that kind, it may be better for him to leave it invested in the association than to draw it out. The possession of so much money immediately in hand brings with it the temptation to spend it needlessly, or to risk it in some speculative enterprise. In the case of a serial association the placing of so much ready capital in the hands of so many persons whose stock has matured may result in the expenditure of a large part of the money which might have been reserved for better uses.

Some new features have been introduced in some associations recently in connection with the issuance of paid-up stock certificates. Under the old rule the certificates are redeemable only by special action of the board of directors. The change consists in the attachment of a series of coupons to the certificates. This plan is possible in associations which have an assured prospect of having money to sell or loan for some time ahead. The coupons specify the rate of

interest. A copy of these coupons will be found in the chapter on Forms. The use of the coupons saves the secretary the trouble of issuing special vouchers for dividends on paid-up stock. In some cases these coupons are accepted as cash for the amount of dividend. It is evident that it is only under certain circumstances that these features can be adopted and followed. The rate of guaranteed dividend must be so low as to justify the directors in adopting the plan, and there must be some positive assurance that it can be continued.

The rules of an association in reference to paid-up stock should be most carefully drawn so as to cover all contingencies or emergencies.

Any member whose stock has matured should consider very carefully as to whether or not it will be best for him to draw out his money or to take a paid-up stock certificate and leave the money in the association as an investment.

OTHER FACTS CONCERNING STOCK.

Various other questions relating to stock have been determined by general usage or passed upon by the courts. Associations have the right of lien upon shares, which extends to all liabilities of shareholders for dues, fines, and other lawful charges. An association, in extreme cases, may collect by suit the dues of delinquent members who are endeavoring to work injury to the association. In cases where the shareholder has borrowed money from the association his regular dues are not to be credited upon his loan but are to be applied upon his stock account just as the dues of any other member. He may, however, at any

time have his accumulated stock-payments applied upon his debt; or, if the association holds a lien upon his shares for security of his indebtedness, the association may, in case of his default of obligations, apply his accumulated stock-payments to cancel his indebtedness as far as they will reach. In such cases defaulting members have the benefit only of the aggregate of their paid-up subscriptions. But if a member voluntarily repays the money thus applied, there is added the declared portion of the profits of the association up to the time of the repayment, provided he has not assigned his shares to a third party. An assignee or executor of a member may exercise the same rights in the control of stock as the shareholder himself. Stock may be assigned to an association by a borrowing member as collateral security for his loan, and it is the usual practice of associations to require this assignment. Where the stock of a borrowing member is assigned to an association as collateral security and real estate is at the same time mortgaged, the liability falls first upon the stock. If this fails to extinguish the indebtedness then the real estate or other collateral security becomes liable.

In order that no question may arise in reference to any of these miscellaneous matters they should all be covered as nearly as possible by explicit rules in the constitution and by-laws of an association. The practice in connection with many features of their work is not at all uniform in associations. Hence the necessity that each association carefully define in its rules the course which it will adopt in connection with all matters concerning which differences of opinion might arise in the absence of rules specially governing them.

CHAPTER VIII.

DUTIES AND RIGHTS OF MEMBERS.

MEMBERSHIP.

Membership in a building association is acquired by becoming a holder of its stock. All persons or corporations legally capable of making contracts may become members of an association. In some states, by special legislation, membership is permitted to minors and married women, who under the general law in those states would be debarred. As a rule one association, however, may not become a member in another.

There are two classes of members—depositors and borrowers. Generally the membership is sought for the purpose of making a safe deposit of the small surplus earnings of persons, who otherwise would have to keep this surplus at home where it is unsafe and liable to be expended. These are called depositing members. A person may likewise become a member for the purpose of obtaining a loan, who is called a borrowing member.

Every subscriber for stock should pay a specified admission fee and also purchase a pass book. Dues on stock begin from the time of subscription. In asso-

ciations as now conducted, payment of back dues is not required, all stock dating from day of actual issue. But dues may be paid in advance, in part or in full. When paid in advance in part, in some associations, they draw dividends. When paid in advance in full, certificates of paid-up stock should be issued.

A pass book is *prima facie*, and generally, sufficient, evidence of membership. An association can not deny membership to any person from whom it continues to accept dues. A person who, as a member, receives the benefits arising from membership, is estopped from denying his membership. Membership is terminated by the death of a member, by a transfer of shares, by forfeiture, by voluntary withdrawal, by the dissolution of the association, or by the expiration of the series in which the member's stock stands. Where a member becomes a borrower, his membership may cease by special contract with the association.

DUTIES OF MEMBERS.

A person who becomes a subscriber for the stock of a building association, thereby enters into a contract with the association, all the terms of which he is legally bound to fulfill. Moreover, by subscribing to the constitution and by-laws, or, indeed, even if this formality be omitted, he, as a shareholder, must give his obedience to the rules of the association. A member must pay his dues, unless he becomes unable to do so, when he should give proper notice of withdrawal. A member should give the association his personal services to a reasonable extent by attendance upon the meetings and by the faithful discharge

of the functions of such offices as he may be elected or appointed to fill. Each member of an association must bear his proportionate share of its expenses. In case of loss he must also share in this. A member of an association can not withdraw in order to evade his liability for expenses and losses. His liability to contribute to the expenses ceases only with his membership.

FINES AND FORFEITURES.

The success of an association is chiefly dependent upon the steady and certain payment of the dues of the members. Whenever a member fails to pay up his dues, to that extent he inflicts an injury upon every other stockholder. The statutes generally provide that associations may lay a tax upon stockholders who willfully or otherwise become delinquent, which tax shall be sufficient to reimburse the other members for their loss caused through such negligence. This is accomplished by a system of fines. Such fines must be assessed in strict accordance with the statutes, and also with the rules of the association. The statutes usually give the association a lien upon a member's stock for arrears of dues, fines, and other lawful charges. Under the general laws of equity, fines, in order to be legal, must be reasonable and can be imposed only by way of punishment for delinquency on the part of a member in the discharge of his duties as a member. Not more than one fine can be imposed for the same delinquency. Cumulative fines, that is fines levied for the non-payment of fines, have been overruled by the courts, and are in some states prohibited by law. The amount of fines should

be measured by the actual damage which the delinquency of a member has wrought upon his fellow-members. Directors of an association generally possess discretionary powers in regard to the remission of fines. The continued neglect of stockholders to pay their dues will prevent an association from accomplishing its purpose. If fines are not found sufficient to compel a member to keep up his payments, the association, in order to relieve itself from embarrassment on his account, has the right to declare his stock forfeited and to take possession of it, subject to the constitutional provisions. A forfeiture of stock relieves a stockholder of his membership in the association and consequently of all further obligations in the way of dues. It is very important that the constitution and by-laws shall define carefully the causes for which stock may be declared forfeited and the method by which the forfeiture shall take place. The power to declare stock forfeited usually is vested in the directors or other competent officers, who are generally given some option and discretion in the matter so that under certain circumstances forfeitures may be waived or postponed.

It may be of value to present a few practical and specific suggestions concerning fines. The plan which seems to have proved most generally acceptable is the imposing upon delinquents of a regular fine, not exceeding 10 per cent. of the delinquent dues. If at the end of a period of three months the delinquent member is still unable to make his payments, if he is a borrowing member, it will be well to ascertain the balance of his debt, his total delinquent payments, and total past fines, and to consoli-

date these into one charge, and then not add any additional fines, but charge interest on this gross amount at some specified rate until the matter is closed.

To the fair-minded director a fine often suggests something of injustice or inequity. While it represents a source of profit to the association it may add to the burden of an already over-burdened member. The delinquency may arise, indeed often does arise, through some misfortune which appeals strongly to the sympathies of the officers and other members. At such a time of adversity the addition of these fines serves to build up a barrier between the member and the association, and to defeat the struggling delinquent's only hope of escape.

On this account some have even advocated the discarding of the whole system of fines. All will agree that the imposing of extortionate fines is an evil. Directors should be given discretion in regard to the remission of fines and should inquire carefully into the circumstances of delinquents, and always remit a fine when it seems to them just and right so to do. If the member is a borrower and has become a delinquent through misfortunes or causes for which he is not blameable, his case should be inquired into carefully and he should be aided in any way possible by the association. This is only a part of the spirit of co-operation and mutual interest upon which such a society is founded. Such care and leniency on the part of directors may go far toward popularizing an association, and thus add to its prosperity and usefulness.

Of course what is said above does not apply to

cases of mere negligence or carelessness. Such a shareholder should be stirred up to a sense of his duty by a prompt fine. But delinquencies on account of carelessness are not likely to be continued for any great period of time, as a month or three months. When a shareholder continues delinquent for such a period there should be an inquiry into the circumstances and a just disposition of the matter.

In drafting the rules of an association too much care can not be exercised in order that they may be not only legal but equitable. The constitution and by-laws should be so explicit and unequivocal that every member may understand the obligations he takes upon himself and the penalties to which he lays himself liable when he becomes a stockholder.

Directors should also have the right to demand and enforce the resignation of a member for any gross impropriety of conduct which would make his further connection with the association unwise or undesirable.

RIGHTS OF MEMBERS.

Members may occupy three relations toward an association. Certain rights are vested in them as members of the corporation, or corporators. When a member is an investor only in the association, he is possessed of certain special rights; and in like manner if a member becomes a borrower he secures certain other special rights.

CORPORATE RIGHTS OF MEMBERS.

Every stockholder has the right to attend all the corporate meetings of the association, whether they be the regular annual or semi-annual meetings, or

special meetings called for some particular purpose. He has the right to be duly notified of the time and place of all meetings and to take part in their proceedings. In some states and in some associations a member has but one vote whatever number of shares he may hold. In other associations he has one vote for each share he holds. In still others, in the election of officers, he casts one vote for each share he holds, while on matters of general business he has but one vote. In Ohio the law now provides that a member can hold as many shares as he desires, but may not vote but twenty. These qualifications should be clearly and definitely stated in the constitution. The constitution should also declare plainly for or against the right of a member to be represented and to vote by proxy, and if the right is allowed, should define the mode in which it shall be exercised. In some states this matter is determined by the statutes.

A member has the right to have access to the books of the association at such times and to such extent as will not interfere with the business of the association and the work of its officers. Owing to the inconvenience, confusion, and annoyance which may arise from a large number of members having frequent access to the books in their efforts to examine them intelligently, it is well for members to forego this privilege as far as possible, and to refer all matters requiring examination to the auditing committee, or other authority empowered to examine into and to report upon the business of the association. A member has the right to hold office if elected or appointed in the prescribed form. A member may bring suit

against an association upon the same conditions upon which a person not a member could bring suit. A member may, in behalf of himself and his fellow-members, institute legal proceedings against unfaithful officers to compel lawful action on their part or to restrain them from unlawful action. This right should, of course, never be used except when such action is based upon the most convincing evidence. Under certain circumstances a member may bring action in court to have an association dissolved. At the termination of an association each member has the right to his equitable share of the profits.

RIGHTS AS INVESTORS.

A person who invests his money in the stock of a building association has a right to share in the profits of the undertaking in such way as is provided by the statutes and the rules under which it operates. He also has the right to withdraw his funds and membership at such times as suit his convenience. But the chief and most important privilege of a shareholder or investor is that of receiving loans or advances from the association. It is this privilege which makes membership in an association attractive and popular among that class of persons for whose benefit building associations are organized and are fostered by appropriate legislation. Unless, therefore, an association has adopted rules to the contrary, a stockholder has the first claim upon its surplus funds provided he is willing to pay a sufficient premium and can give satisfactory security.

DIVIDENDS.

The statutes as a rule authorize associations to declare and to pay dividends out of the profits of their business, annually or otherwise. These profits are calculated at the termination of each fiscal year or half-year. The profits, when declared, are distributed among the members pro rata, according to the amount standing to the credit of each member at the beginning of the term, and to the amount each has paid in during the term, and to the length of time it has been in. The rules and practice in reference to dividends vary in different associations. On this account it is not possible to lay down general rules governing this matter. The rules of every association should be explicit in reference to the matter of dividends, for profit-sharing is one of the main features which recommend associations to popular favor. The rules must be so drawn that each member shall share equitably in the profits. In the organization of a new association the plan upon which it shall operate in reference to dividends should be carefully considered, for this may have much to do with its prosperity and success.

RIGHT OF WITHDRAWAL.

A member who is simply an investor and not a borrower has the right to withdraw from an association without being subject to a forfeiture of the money already paid in. For the protection of the business of the association this right must be exercised under proper restrictions. The rules of every association should prescribe in detail the method of withdrawal. Usually a member is required to give formal notice in writing to the secretary of his intention to withdraw.

This notice should be entered in a book kept for this purpose, and the attention of the directors should immediately be called to it. In Massachusetts, associations are compelled by statute to keep a book for the special purpose of recording notices of withdrawal, which is called the "Withdrawal Book." Members desiring to withdraw enter their notices in this book in regular order including the date of entry. The applications for withdrawal are then acted upon in regular order. Directors should be required to set aside from time to time a fund to be held for the accommodation of members desiring to withdraw.

While the primary idea of the building and loan association, as already stated and popularly understood, is to enable members to become owners of homes, yet it is not the province of an association to inquire into the purpose for which a member desires to accumulate money. A member may therefore use an association not only for the purpose of securing a home, but as he would a savings bank for a variety of purposes. He may desire, (1) to accumulate a fund for the purpose of embarking in some business enterprise, or, (2) for the purpose of meeting some approaching obligation, or, (3) simply of securing a safe depository for his funds, or, (4) of securing a good rate of interest on his funds while deposited. It would defeat the purposes of some of the members if there were no proper provisions made for the withdrawal of their money and membership at such times as suit their plans and convenience. Hence it is that provision for withdrawals must be made in the rules of the associations.

The question has been debated as to what share in

the profits of an association a withdrawing member is entitled. It has been held in some cases by the courts that a withdrawing member does not possess the right to claim a share of the undeclared profits of an association. Such member receives the amount he has paid in and his share of the profits credited and undrawn at the time of the last preceding declaration of dividends, after there has been deducted from this total amount any fines or other charges still owing by him. If the association has suffered a loss, it is the rule to deduct from the amount which a withdrawing member has paid in, an equitable portion as the directors may deem necessary for the protection of the remaining shareholders. In the case of a prospective loss, the settlement of which may be in the hands of an arbitrator or receiver, or may be pending in court, it is usual to withhold some portion of a withdrawing member's money until adjudication, when he is entitled to receive any and all residues of such money withheld, which equitably belong to him.

A member's privileges in the association cease as soon as he gives notice in proper form of his intention to withdraw. After that time he can not transfer his stock. A withdrawing member is a creditor of the association until his money is paid him. As such he may bring action to collect the amount due if the association does not pay him in his turn and when the money is in the treasury.

The rules of an association should confer some discretionary power upon the directors in reference to withdrawals to be exercised in certain classes of cases.

RIGHTS OF BORROWERS.

As already explained the primary purpose of a building and loan association is to loan money to its members. It follows, therefore, that every member of an association who complies with its rules has a right to become a borrower from it. But in negotiating a loan he generally becomes a competitor with some of his fellow-members. A member desiring a loan must, therefore, be prepared to outbid his fellow-members and also to furnish satisfactory security. It should be remarked in this connection, that some associations are allowed to invest their money in real estate or to loan it to persons not members. In such cases associations are not compelled, unless by special provision, to loan funds to members when the money can be used to better advantage in other directions. Questions of this character must be determined by the statutes and rules under which the associations are organized. The amount of money which a member is entitled to borrow is usually regulated by law and the constitution of the association.

A member who is a borrower from an association, even though in addition to other security he pledges his stock as security for the loan, continues a member in every sense and must discharge all the duties and may enjoy all the rights and privileges of his original membership except the right of withdrawal and such other rights as may be abridged by the special provisions in the contract for the loan. A borrower has the right at such times as are stated in the rules to return to the association, in the aggregate, the sum of money for the payment of which, in installments, his obligation calls. This must, of course, include

accrued interest and other lawful charges. He can, in this way, by complying with the constitutional provisions and restrictions governing such matters, release his stock, or redeem property which he may have mortgaged to the association. After such repayment, the stockholder continues his membership upon the original conditions and may now exercise the right of withdrawal. The exact amount of money to be paid by a borrower in the aggregate to discharge his obligation must be determined by the rules of, and settlement should be made from the books of, the association. This is another matter which should be carefully guarded and provided for in the rules and the contracts, since it has been a prolific cause of litigation.

The executor or administrator of the estate of a deceased member may continue the membership if he complies with the necessary conditions and regulations. But if he does not find it possible or desirable to do this, it has been held that the estate is entitled to the same privileges and allowances as if the borrower had voluntarily paid off the loan. A borrowing member who does not keep up his payments is not entitled to the benefits received by those who meet their obligations. His only offset against the claims of the association is the actual payments he has already made in the way of regular dues and of interest upon his loans. Such members are also liable for their proportionate share of the expenses and losses of the association. A borrowing member, when sued by the association, does not forfeit his rights of membership, and is still liable for his regular dues. An association must, even after suit is brought, accept

the payment of a loan with accrued interest and costs and other lawful charges if tendered. Such offer is regarded as a legal tender. If the offer is rejected the borrower is entitled to cease paying interest upon his debt and to the remedy of an adjudication by court.

DUTIES OF BORROWERS.

The duties of a borrower are sufficiently indicated in the preceding sections. He must not only keep up his original obligations as a member but must meet his contracts for the payment of premiums and interest and must look after the character and sufficiency of his security. Not only are his own welfare and good name dependent upon his faithfulness, but the prosperity of the association and the interests of his fellow-members are involved also in his obligation. All of these things put a heavy responsibility upon the borrower which by every honorable consideration he must faithfully discharge.



CHAPTER IX.

LOANS AND SECURITIES.

SALE OF MONEY.

To the end that members of an association may be protected in their right to receive loans, and that all may have a fair opportunity to secure this privilege, the statutes in a number of states, and the rules of most associations, require that at stated times the officers shall offer the money on hand, if it amounts to a certain sum, for sale to the stockholders, or, in some cases, to any other persons willing to become stockholders.

The rules or the order of business should specify the time and place at which the money of an association will be offered for loan, and provision should always be made so that all stockholders may be informed of this. It usually happens that a number of persons desire to become borrowers and hence there is competition for the use of the money. When the time comes for the sale, the president or any director or other officer or member who may be appointed auctioneer by the directors, makes announcement that the association offers so many shares or parts of

shares for sale. Bids are then received. These bids are in the form of offers to pay certain premiums in regular installments—weekly or otherwise as the case may be—for each share. The loan is awarded to the highest bidder, provided the security offered is acceptable and provided that, if the bidder is a non-member, he becomes a member before the money is advanced to him. Directors have the right to reject bids if the security offered is not satisfactory. In such cases the loan goes to the next highest bidder or the shares are put up and sold again. Money is loaned in amounts equal to the par value of shares or some specified fractional part thereof, usually not less than one-fifth. Generally when bids of this kind are received and a loan is made at a certain premium the directors will, if they have additional money to spare, allow other persons to take loans at the same premium without asking for bids again.

PREMIUMS.

A premium is a bonus which a borrowing member agrees to pay for the privilege of having money advanced to him. It is, in effect, the difference between the par value of his stock and the actual amount advanced to him. It represents the amount he is willing to sacrifice in order to anticipate the ultimate value of his stock by obtaining the immediate use of the money which the stock will be worth to him at winding up.

The meaning of the term, premium, may perhaps be better understood if the process in the sale of money is reversed. Let us suppose that when an association has accumulated a sum of money which

is to be loaned to members, instead of the announcement of a sale of money to the highest bidder, the announcement be that the association will purchase shares of members at the lowest offer. A member has, say five shares, which will be worth at maturity \$500 each, or a total of \$2,500. On these shares he has agreed to pay his regular weekly installments until they are paid up. He now offers to sell the prospective value of these shares to the association for a certain net sum of money, the shares to be assigned to the association immediately, and a note or bond to be given for the continued regular payment of the weekly dues, this obligation to be secured by a mortgage on the real estate purchased with the money advanced or on other real estate, or by some other satisfactory security. The difference between the par value of the member's stock at maturity and the net amount he receives for it when thus sold to the association again represents the premium which he pays for the immediate use of the money thus secured. Some have questioned as to whether premiums should be charged at all or not. It is argued that associations should not make any charge for use of moneys, and should pay off applications in the priority in which they are filed. In some associations this system has been adopted with great success.

It has been held by the courts that boards of directors can not establish fixed rates of premium.

NATURE OF A LOAN.

The loaning or advancement of money to members is one of the peculiar and distinguishing functions of building and loan associations. This advancement of

money is usually, but not always, an incident to the work of the association in discharging its primary function of enabling its members to purchase or build homes. But whether the money advanced is for this or some other purpose, the loaning of money to members constitutes the chief actual business of most associations. This is a transaction which is, in most of its elements, so different from other ordinary business proceedings that it must be considered and governed by special rules applying to it alone. The borrowing member is himself an integral part of the association from which he borrows, owing to it certain obligations and duties which he must fulfill. When he becomes a borrower he receives a certain preference over his fellow-members for which he renders to the association a consideration which becomes an equivalent to his fellow-members for the preference which he enjoys. In extending to him a loan the association assumes a risk for which the protection of his fellow-members demands that he furnish a sufficient and adequate security and guarantee against loss. This makes the transaction a complicated one in the adjustment of which there has been no little confusion in the history of associations. It has been the source of a great amount of litigation in England and in the different states of this country. As a consequence of this the exact status of the borrower toward the association and of the association toward the borrower is now becoming more clearly defined. The most that can be said here is that the constitution and rules of the association should be so carefully drawn in conformity with the statutes and should state so fully the conditions under which

loans can be made to members. and should so fully describe the methods of procedure that mistakes may be avoided.

In making or carrying into effect the rules relating to the loaning of money to stockholders, it should be borne in mind that the borrower continues an active member of the association and, as a partner in its affairs, is interested in the enforcement of the contract against himself as a borrower, and that, in a contract between an association and a borrowing member, whatever goes outside of the statutory and constitutional provisions is invalid.

MORTGAGES.

The ordinary security given by a member for loans and advancements made to him is in the form of a mortgage upon real or leasehold estate which he already holds or which he purchases with the money advanced to him. The taking of these mortgages is one of the most common incidents in the work of an association in fulfilling the functions for which it is established. A member may give a mortgage upon freehold or leasehold property for which he can show a clear legal title. He may give a mortgage upon the real estate of another person who in due form submits his property for this purpose. Mortgages must be drawn directly in accordance with the statutes under which an association operates and with its own constitution and rules. Since the statutes under which associations are established differ in the several states, and since constitutions and rules governing this matter vary in different associations, there are many forms of mortgages in use. To enter into a full dis-

cussion of these forms would be foreign to the purpose of this work. Two forms in common use are printed in another part of this book,* an examination of which will assist in arranging for this feature of the work of an association. It is sufficient to insist here that the rules be so carefully drawn in reference to this subject that mistakes will not be possible. The mortgage itself should contain the terms and conditions upon which it shall be foreclosed, and should specify the disposition to be made of the funds realized from the sale of the property. In case of foreclosure, where the sum realized is insufficient to liquidate the entire amount of the debt, the member is still liable for the balance.

OTHER SECURITIES.

Money may be advanced to members upon national, state, county, or city bonds as collateral security, when such action is authorized by the statutes and the rules. The acceptance of such collateral securities is in the discretion of the directors. The borrower must give his note for the amount received and the interest to be paid thereon, and transfer his stock to the association. The note should give the name, number, amount, and par value, of the bond or bonds given as collateral security, and should name the conditions upon which the security becomes forfeited to the association. Forfeitures usually become operative if the borrower shall fail to pay up his regular dues and the interest for a certain term, say three months, at most not longer than six months. The

* See Chapter on Forms.

directors may, after notifying him, declare his security forfeited and may proceed to dispose of the bonds in the most profitable manner for the purpose of liquidating his obligation. The borrower may be allowed to renew his note from time to time at the discretion of the directors.

ASSIGNMENT OF STOCK.

When a member's stock is assigned to an association as collateral security for a loan the assignment is usually required to be made in absolute form. But nevertheless the association can not use or dispose of the stock except for the purpose for which the assignment is made. The stock is to be held by the association until it is paid up by the member. The association then cancels the stock and returns to the member his bond. But if the member fails to keep up his payments on the assigned stock, the association may declare the stock forfeited, and apply what he has already paid in toward the liquidation of his debt, and may transfer the shares to some new applicant or applicants for membership. In case of delinquency on the part of a borrower who has assigned his stock to the association as collateral security, the association first avails itself of the amount he has paid in on the stock, and then proceeds in an effort to realize the balance of his debt from the sale of his mortgaged property and any bonds or other collateral security he may have furnished.

SALE OF SECURITIES ; DISPOSITION OF PROCEEDS.

Directors of associations are bound to dispose of property on foreclosure of mortgages or of forfeited

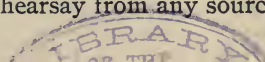
securities on the most advantageous terms. This is necessary both for the protection of the association and in justice to the delinquent borrower. The proceeds derived from the sale of securities must be applied as follows: (1) To payment of dues; (2) to payment of interest; (3) to payment of premiums; (4) to payment of fines; and (5) to payment of costs. If any balance remains it must be paid over to the owner and his receipt in full taken. The rules should be explicit in reference to the forfeiture and sale of securities, for this step involves the highest interests of an association and of its members.

APPRAISEMENT OF REAL ESTATE.

This is one of the most important features of building association operations. It is in the acceptance of securities that the association assumes its risks. Every association, of course, has rules governing this matter. Nevertheless, when the appraisers come to the actual discharge of their duties they will find the rules insufficient to cover all the details, and that many incidental matters must be considered and decided in their own discretion. A few general suggestions in this connection will be of value, especially in new associations and to those inexperienced in such matters.

1. The members of the association most capable by intelligence and experience should be on the appraising committee.

2. The appraisers should always base their valuation of property upon information obtained direct by themselves by observation and personal investigation, and should not depend upon hearsay from any source.



3. They should inform themselves fully in reference to the actual status of the property, as to its rightful ownership, its freedom from incumbrance, and other such matters.

4. They should consider its situation and condition with reference to roads, drainage, water, gas, etc.

5. If the property is improved, they should note the character of the building, the quality of material and of workmanship, its arrangement, number and size of rooms, and also incidental matters in the way of out-houses, walks, fences, grading, shade-trees, etc.

6. In making up the valuation they should give full details of items for land and buildings separately.

7. The valuation should be based upon the intrinsic worth, and not upon competitive or speculative estimates.

8. They should also inquire into the borrower's relation to the association, reviewing his payments, his ability to pay, etc.

This last is very important, since many serious troubles arise from members agreeing to pay more than they are capable of doing.



CHAPTER, XI.

CORPORATE GOVERNMENT.

THE CORPORATE MEETING.

A corporate meeting is a meeting of the members of an association regularly assembled. Meetings may be general or special. The members thus assembled in a corporate meeting constitute the supreme power of the association. But in their action they are nevertheless subject to restrictions. If the association is organized and incorporated under general or special laws of the state, the corporate meeting must confine its actions within the limits laid down in the charter and the statutes under which it acts. The corporate meeting fixes its own constitution and by-laws in accordance with statutory limitations. But after these are once fixed it has no power to change them except in accordance with the rules which it has established. Where associations are not organized and incorporated under special charters they are, of course, subject to the general statutes and laws of equity like other incorporated companies. The entire association is bound by the acts of a majority of its members when those acts are legal and in due form. In the

absence of special provision in the rules of the association a question may arise as to what is meant by a majority. It has been held that an association is bound by the acts of a majority of those present at a regular meeting whether they constitute a majority of the members or not. It has been held further that a majority does not necessarily constitute a majority of all members present, but of all the members present and voting. But it is better that the rules of the association should state definitely what proportion of the membership shall constitute a quorum for the transaction of business. Then if this number is not present a meeting can transact no business except to adjourn to some other date. Where the statutes, or the rules of the association, do not fix the quorum, the rule is, that a majority of all those present and entitled to vote at a duly called meeting, shall constitute a quorum.

Where the statutes do not determine the right of a member to be represented by proxy the question should be settled specifically in the constitution and by-laws.

GENERAL MEETINGS.

The general meetings of associations are those corporate meetings which occur at the stated times fixed by the constitution or by-laws. The shareholders should meet at least once in six months, generally on the first meeting night in the month following the close of each fiscal half year. The meetings are held at the place designated by the board of directors. Each member must be advised of the time and place of the meeting, either by individ-

ual notification by letter or otherwise, or by advertisement in some paper of general circulation regularly issued in the vicinity. The usual business of such meetings is the election of officers and the determining of the general policy and management of the association. The desires of the members may be expressed through the election of certain persons to fill the offices, who are pledged to a certain line of conduct in the management of the affairs of the association.

The business of the general or corporate meeting should be conducted according to the order of business laid down in the rules. The reports of officers is a prominent feature of these meetings. These reports, when represented in proper form, give the members a clear idea of the business of the association, and enable them to determine intelligently as to the policy for its future management.

SPECIAL MEETINGS.

Provision should be made in the constitution and by-laws for the calling of special meetings. These ought to be so drawn that the officers, whose duty it is to call such meetings, have no discretion in the matter, but should be compelled to act upon the request of a certain number of members. There ought to be also a rule that, in the calling of special meetings, all the members must be notified in proper manner, and that otherwise the proceedings of the meetings shall be invalid. Such provisions are necessary in order to protect properly the rights of members. In the absence of these rules, it has been held under the general laws that each member must have

personal notice, that a reasonable time must be given, and that the call must be issued by authority competent to call a meeting. But if all persons entitled to vote unanimously consent, notice of meetings may be waived and the proceedings will be valid. Special meetings can transact no other business than that named in the call.

An adjourned meeting may transact any business that may have been lawfully transacted at the original meeting. The acts of a meeting irregularly convened are not binding.

MANAGEMENT OF CORPORATE MEETINGS.

A few suggestions in regard to the management of corporate meetings will not be out of the way. Under our democratic form of civil government, citizens, through the influence of our ordinary political methods, become educated to the habit of delegating their authority to others. The result is that many good citizens neglect and ignore their duty as such and leave public affairs to be directed by self-seeking politicians. This custom is too often carried into building associations and other corporate bodies. This ought not to be. Every member of an association should keep himself thoroughly informed in reference to its business and management at all times. Then he should not fail to be present in person at every corporate meeting.

At any corporate meeting it should be the business of some one, usually the President or the Secretary, to make a clear statement of the purpose of the meeting, and to present all the facts in connection with the work of the association which bear upon the

matter to be considered. It is well, also, from time to time in such meetings, both for officers and members, to review the provisions of their charter, that they may be sure that their operations are all kept within the proper legal and constitutional bounds. It is easy, when the members and officers of an association are careless, for its methods and operations gradually to slip outside of the limits which they were originally intended to occupy.

At any regular corporate meeting there should always be a clear, business-like statement of what the association has accomplished during the past year, and what it is expected to accomplish during the coming year. These facts being before the members, they are able to determine whether the association is accomplishing the work for which it was intended. If it is, well and good; if not, measures must be taken to correct its mistakes.

Members should also bear in mind that no association is of any worth or power, simply from the fact it is an association. Its power and efficiency is only the joint power and efficiency of the men and women who compose it. If these do not attend its meetings, if they neglect its business, or go to meetings and simply hold up their hands and vote like machines, and give no active thought to its business through the whole course of the year, they are an incumbrance, rather than a help to it. The officers and directors should have evidence of the never-lagging interest of the membership. This will not only put a proper check upon them in their management of the association's affairs, but it will also spur them to continued diligence and efficiency. Any officer or member of an

association who satisfies himself with the mere perfunctory discharge of the routine duties of his position makes a serious mistake. His active and intelligent participation and interest in the association's affairs at all times are necessary to its highest success.

OFFICERS: THEIR ELECTION AND GENERAL POWERS.

As stated before one of the principal functions of the corporate meeting is the election of officers. This must take place in the manner and at the time required by the constitution and by-laws. If these prescribe no particular form for elections, then it has been held, that no election conducted in good faith will be set aside. Some associations provide by constitutional rule that a double or larger number of candidates for each office shall be nominated, from whom the members are to elect; but it has been held, in some states, that a member receiving a majority or plurality of votes, as the case may be, is duly elected and entitled to hold the office, even if his name is not on the list of those nominated. When candidates are properly nominated and the election is held in due form and at the proper time and place, those candidates receiving a majority of the votes cast are elected. This is true even though the majority of the entire association may refrain from voting, except in case the constitution makes a provision to the contrary. If from any cause the election is not held at the proper time set in the constitution, the association nevertheless continues, and the old officers are in authority until their successors shall be duly elected and qualified. The casting of improper votes at an election does not vitiate it unless it can be shown that

the result would have been different had they not been received. On the other hand, if it can be shown that legal votes have been rejected and their reception would have changed the result of the election, the election is vitiated and a new one must be held. Ballots containing the names of a less number of directors than are provided for must be received, but those containing a greater number must be rejected. An inspector or judge of an election may also be a candidate.

The acts of *de facto* officers are binding upon a corporation, especially so far as these acts affect third parties, even though it may afterwards be decided that the officers were ineligible.

The management of the affairs of an association is entrusted so entirely to its board of officers that the greatest care should be exercised to select only proper persons as officers, and that there should be no question as to their regular and lawful election.



CHAPTER X.

ELECTION AND DUTIES OF OFFICERS.

OFFICERS REQUIRED.

The officers of a building association are the same as of any other corporation or business body. They consist usually of a president, a vice-president, a secretary, assistant secretaries, a treasurer, an attorney and a board of directors.

ELECTIONS.

The constitution provides for the time, place, and manner of elections. Since the officers are the actual managers of the business of the association the provisions for their election should be so plain and explicit as to leave no room for doubtful or uncertain action. The officers are to be clothed with legal powers. There should be no question as to their legal qualifications.

Attention has been called already to the necessity, in the organization of an association, of selecting for officers those persons who, by character, ability, and experience, are best qualified to serve in that capacity. The bearing of the officers, their intelligence, and their business ability and sagacity, will have much to do with an association's popularity and success.

They must be polite to all the members and other persons visiting the headquarters of the association or calling upon them privately; they must be ready to respond intelligently to all proper inquiries relating to the business of the association; they must require that all moneys in which the association is interested are properly and promptly accounted for; they must be quick to seize upon every advantage that can be used to further the interests of the association; they must carefully guard all investments or loans of the association; and must, in general, be as watchful and careful of all matters pertaining to the association, as any successful business man must be of his own interests and business. Officers by faithfulness may build up an association and make it very strong, while by indifference and irregularity of proceedings, they may destroy its popularity and usefulness, and even its existence.

As the usual elections recur year after year the question of the re-election of certain persons to certain offices will arise. There is one rule which should always prevail at elections, and that is to seek the greatest good for the association. This can be accomplished in two ways: by the re-election of faithful and efficient officers, and by the introduction of new blood, new energy, and new influences into the management. In connection with the re-election of officers it should be borne in mind that no one member should be overburdened with the work of an association. On the other hand an association should secure the benefit as far as possible of the knowledge of its affairs and workings possessed by its experienced officers. A good rule is — other things being equal — to re-elect

the salaried officers as long as their work is satisfactory and no special reason arises for making a change. Their knowledge of the details of the business is very valuable. It is best to re-elect some of the other officers, especially directors, at each election. It is only on rare occasions where there is to be some radical change in the management of an association, that an entirely new board of directors should be chosen. Where there is no necessity for making a change, it is best to re-elect a strong representation from the old board. Indeed, in order to avoid sudden and unfortunate changes in the board and to secure opportunity at the same time for desirable rotation in office, some associations adopt a rule to the effect that at the first election one-third of the directors shall be elected for a one-year term, one-third for two years, and one-third for three years. Then at each subsequent election one-third of the whole number of the board are chosen for the full three-year term.

DUTIES OF PRESIDENT AND VICE-PRESIDENT.

In general terms the duties of the president and the vice-president, as indeed of all the officers of an association, are, in the absence of special provisions and limitations, the same as belong to similar officers in other like bodies. Thus, unless there be special provisions to the contrary in the constitution or by-laws of an association, it is the duty of the president, or, in his absence, of the vice-president, or of one of the vice-presidents (who act in their numerical order), to call meetings of the association, and to preside and preserve proper order at the same, to sign the contracts of the association, and to execute other official

documents, to sign warrants drawn upon the treasurer, to keep the seal of the association, and, with the board of directors, to make provisional arrangements to meet all the various unprovided for emergencies and necessities of the business of the association. The president appoints all committees for the appointment of which no other provision is made. For the relief of the president and other officers from uncertainty and unnecessary and irksome responsibility, the constitution and by-laws should specify as fully and clearly as possible the duties imposed upon each of them.

DUTIES OF SECRETARY.

The office of secretary is in many respects the most important in the association. He is the custodian of its business and records, and the source of information concerning its affairs; he keeps the minutes of all the official proceedings of the association and its board of directors; he conducts the correspondence; he keeps the financial accounts; and is, in general, the agent, and to a large extent, the acting manager of the entire business of the association. He attests the signature of the president on all the official documents.

He should submit quarterly, semi-annual, and annual reports to the association, as may be required by the rules. These reports should always be written out plainly and neatly ruled, and should present a full account and summary of the business for the preceding term. They should include a complete balance sheet, giving a detailed exhibit of the profit and loss accounts, and a statement of all assets and liabilities of the association. Usually the directors authorize the

secretary to have these reports printed for distribution among the members.*

The secretary possesses unusual powers and carries heavy responsibilities. The constitution and by-laws should give him clear and specific instructions in regard to his duties and liabilities. No mistake should be made in the selection of the secretary, and when once chosen he should have the cordial support and co-operation of all the shareholders.

ASSISTANT SECRETARIES.

The business of some associations is so large, or the secretary is so occupied with other business, that the employment of assistant secretaries is necessary. They are usually employed by the directors. Their duties are clerical, and they work under the direction of the secretary.

DUTIES OF TREASURER.

The treasurer is the custodian of the association's funds. Unlike the president and secretary, he possesses no discretionary powers. His duties are entirely ministerial. He must give his receipt for all money placed in his hands, and is responsible for all the funds of the association he thus holds. He may not pay out any money except upon warrants drawn in due form in the manner provided by the rules of the association. He must keep correct accounts of all receipts and payments. He is not liable for the payment of warrants duly drawn by the proper officers of the association, even though the money is wrongfully applied by them.

* See Chapter on Forms.

He can not hold the association responsible for money which he may advance for legitimate purposes without a warrant. As a general rule the treasurer should be allowed to make his own selection of the bank or place of deposit for the funds of the association, unless the question is fixed by the statutes. If, however, the board of directors select the place of deposit, he is not liable for loss of the association's funds by the robbery or failure of the bank which they have selected. When the treasurer himself selects the bank of deposit he is not liable for loss by robbery or failure, provided that he can show that his action has been free from fraud or negligence.

DUTIES OF DIRECTORS.

The board of directors are the responsible managers of the association. In them is vested the power to order and transact all business for the association, and their acts are the acts of the association. Their powers and limitations must be defined by the constitution and by-laws. If they fail of the full discharge of their duties as thus defined, they are responsible to the members of the association. If on the other hand they transcend these powers of the association, they themselves become personally liable to the parties interested.

It may be said in general terms that the directors of an association have charge of the disposition of the funds, the making of loans, the acceptance of securities, the filling of vacancies in the offices, and the providing of proper compensation for services when this is not otherwise fixed. They are subject to the control of the corporate meeting, but not of individual

members. A member may, however, on behalf of himself and others, proceed by law against the directors for illegal acts.

The number of meetings of the board of directors is usually fixed by the constitution, but the time and place may be determined by the directors themselves. When the association has an office or regular place of business, it is best that the directors' meetings be held there. The time of the regular meetings of the directors should be fixed and made known to the members of the association. The directors may call special meetings, both of the members in general, or of their own body. All directors must have notice of all meetings, and acts of meetings irregularly called or convened are invalid, except so far as the interests of a third and innocent party may suffer. The rules of an association should specify carefully what number of directors shall constitute a quorum for the transaction of business. Except by special provision a director can not delegate his powers to another person. But the full board may delegate some portion of its work to a committee appointed to attend to it. They should keep full and accurate minutes of their transactions. A director, as an individual, may make a contract with the association, provided he secures no special advantage not common to other members. A director becomes personally liable to the stockholders for losses when they are occasioned by reason of fraud or connivance at fraud upon the association. Directors are liable for embezzlement, willful misconduct, breach of trust, or gross inattention and negligence. They are not liable for mistakes of judgment, however absurd, provided they are honest and

within the scope of their powers and discretion. A director who is a party to a fraud upon an association is barred from sharing in its benefits.

DUTIES OF TRUSTEES.

The duty of trustees, where such officers are appointed, is to hold and convey titles for the association under the order of the board of directors. Very few associations now have trustees, this being regarded as useless, unnecessary, and cumbersome.

THE ATTORNEY: HIS APPOINTMENT, DUTIES, AND COMPENSATION.

Every association must have a duly authorized legal adviser. He should be a regular officer of the association. He usually is designated officially as attorney, though he is sometimes termed solicitor, or counselor. The manner of his appointment differs. In some associations he is elected at the same time, and in the same manner, and for the same term, as the other officers. But more frequently—and this seems much the better way—he is selected and employed by the board of directors. In making this appointment the directors can not be too careful. His position is one in which he may do great good or harm to the association. There are emergencies in which the welfare and even the continued existence of the association will depend almost entirely upon his intelligence, honesty, and faithfulness. He should be a man of good standing in his profession. He should have a moderate independent practice, not so much as to absorb his time and thought to the exclusion of the care of the affairs of the association, nor, on the other

hand, so moderate as to induce him to undertake arbitrarily to make business out of the association. Many an attorney, who has the real interests of his association at heart, is the most active and efficient agent in securing desirable members in its organization, and in so increasing its list of shareholders from time to time as to put it upon a permanent working basis. The attorney should be a man of such character as will give the directors some degree of pride in placing his name upon their reports and documents. In England the attorney must be appointed and commissioned under the official seal of the society.

Whatever may be the method of his appointment it is the duty of the attorney to act as the legal adviser of the association upon all legal matters connected with its business. He advises the other officers and the directors in regard to their functions and duties and the proper disposition of the business of the association. He examines records and titles. He prepares or passes upon the forms and blanks to be used by the association, and gives his advice in the execution of all official documents.

The following article from *The Co-operative News*, of Cincinnati, written by Hiram M. Rulison, Jr., an attorney of much experience in building association matters, covers this whole subject so well that it is worth incorporating here. Mr. Rulison says:

“After the appraising committee has completed its work in actually inspecting the property as to its value, it is then that the duty and responsibility of the attorney begins. It really should begin before even the work of the appraising committee begins, by carefully preparing a plat showing the exact location of the property to be appraised, so that no mistake could possibly be made and no excuse could be

offered, in case the wrong property should by any accident be appraised for the loan.

In one or two cases where gross frauds were attempted to be perpetrated, this was the excuse offered by the appraising committee; that they had appraised the wrong property. This could be prevented in every case by a careful preparation by the attorney of a proper plat. Some attorneys think, in order to retain their position and stand well with the board, that all they are called upon to do is to report on the title as they find it, regardless of the actual value of the property or the financial standing of the prospective borrower. No greater mistake could possibly be made.

An honorable attorney will report *all the facts* as he finds them, and if he does not do so he is violating a sacred duty he owes to the hundreds of trusting depositors, who are relying upon his honor and integrity to protect their hard-earned savings. One of the recent failures of a well known association could have been avoided, had the attorney who examined the title of the property on which an \$8,000 loan was granted, been honorable enough to inform the board that the property was in a deep gully; that it was taxed at only a few hundred dollars, and had only recently been appraised for a loan in another association at only \$1500.

A failure to disclose facts of this kind is nothing but downright dishonesty, and would lead unsophisticated people to believe that such an attorney was 'interested.' About the same time, a prospective loan of about the same amount was defeated and the association saved by the brightness and honesty of the attorney, who boldly reported all the facts to the board and insisted upon a full examination of all the facts, which disclosed a similar state of affairs as first referred to. The plunderers were exposed and the depositors' money saved.

A careful attorney would report, if the fact came to his notice, anything of an unfavorable nature that might be developed in regard to the prospective borrower; as for instance, that all the other property which the party owned was covered by mortgage to its full value; that the limit was being stretched in the present instance; that other loans had been foreclosed; that the present loan was a mere shifting around,

'borrowing from Peter to pay Paul,' or anything else that might come to his notice. No doubt the borrower would denounce such an attorney for being a meddling man, but the directors and depositors would bless him. The attorney should always report the tax valuation of all property examined; for although the tax value is scarcely ever a fair criterion to measure values by, still it is in most cases a great help. The officers of the board and the appraising committee may be the most careful men in the world, and may perform all their duties in the most careful manner possible, but it will amount to nothing if the attorney is derelict in his duties.

He can not make too careful an examination. This he sometimes realizes when too late, especially when he happens to overlook a mortgage, judgment, or a mechanic's lien, and is called upon to make the amount good, as sometimes happens. If so much care is required of an 'honest attorney' just think how completely an association is at the mercy of a man who is careless in his habits, or who chooses to be dishonest and to work in collusion with a dishonest borrower; he could bankrupt the association in short order more completely than either the secretary or the treasurer. Only men of honor, integrity, ability, and experience, should be entrusted with this great responsibility. Not the least of their duties is that of approving the sufficiency of the sureties on the bond of officers. And this should always be carefully attended to.

I have even thought that an attorney should be somewhat familiar with book-keeping, and that he should be willing to serve occasionally on an auditing committee in order to see that this branch of the business was properly attended to. In other words an attorney should be one of the best posted men in all the doings and workings of an association, including not only the law but the best methods of management and business, and should be willing to assist in any and every way possible; for if any one person more than another receives a benefit from the association, it is the attorney.

It is true that his compensation for the examination of titles is small, and if that were all the pay he received he could hardly afford to do the work for the money. But an obliging and accommodating attorney who will not neglect his association, but will attend the meetings with some degree of regu-

larity and be on hand with a word of advice when most needed, and let the people get in the habit of meeting him on these occasions regularly, will find a steady flow of business from this source alone, which will amply repay him for the time and labor expended.

More associations are organized by attorneys for the sake of getting the business, than by any other class of individuals; and yet, strange to say, the attorney is usually the one to be the first to lag behind when there is any work to be done, unless a comfortable fee is in sight. I have frequently heard of instances where the attorney failed to attend the weekly meetings for months at a time. These attorneys are not enthusiastic advocates of building associations.

On the other hand the attorney who attends regularly finds his hands full of business, keeps his association out of useless litigation by a little timely advice, and is one of the best friends of the institution.

Many of the patrons and borrowers are working people whose time is not their own, and it would be a manifest hardship on them to compel them to lose a day to dance attendance on an attorney's convenience, when with a little effort on his part he could have the necessary papers signed at the association and thus oblige a client, as well as save him a day's wages.

I do not say this could always be done, but sometimes it certainly can be, especially where there are a large number of mechanics who are compelled to sign a release of any claim on a building before they can draw pay for labor or materials. It would be a hardship to compel six or eight men to lose a day to come to a lawyer's office when all the business could be done at the association without loss of time. A building association is certainly a co-operative institution, and every one connected with it should be willing to do his part and his duty. On the other hand directors and other members should not expect, (as is too often the case) that the attorney is bound to attend to their private business at building association reduced rates. It is true he may be able to cut rates some on the score of friendship and old acquaintance, and this he undoubtedly will and does do, but an attorney would have to be a person of herculean capacity for work, to be able to make

both ends meet and pay expenses, if all his work were done at these rates. This, however, is a fact that is not always taken into consideration by members, and sometimes is productive of hard feelings, if the attorney will not, or can not, consent to work for all his friends at cut rates. The association too frequently criticises an attorney's bill for foreclosing a mortgage, looking upon this expenditure as a dead loss, yet it is one of the most important, and sometimes one of the most difficult of an attorney's duties, and sufficient compensation should be allowed to insure careful and correct work on the part of the attorney.

All questions have two sides, and while an attorney should be able and willing to do his duty thoroughly and conscientiously, he should at the same time receive such treatment from the association and its membership, as will at least assure him that they appreciate the interest he may take in their welfare, and that they believe that the 'laborer is worthy of his hire.'"

If the attorney does not receive a stated salary, the directors should fix a system of fees to be paid him for the examination of titles and other services. Some associations have a graded system of fees for the examination of titles. If a member borrows one share, he is taxed a certain amount for the examination of his title to the property he mortgages. If he borrows more than one share, he is taxed a proportionate amount for each additional share. This rule is manifestly unjust to attorneys, for it requires as much time and work to make an examination of a title if but a single share is borrowed on it, as if it were security for ten or twenty shares. Since the examination of titles requires care and involves responsibility, an attorney should have a good, reasonable fee.

For instituting and defending suits, and any other unusual legal business, special fees should be fixed by the directors.

BONDS OF OFFICERS.

It is customary to require bonds from certain officers of associations. Where the statutes give no direction in this matter it should be fixed by the association itself in its constitution and by-laws. The particular object of a bond is, to enforce responsibility, especially with those officers who have the handling and custody of the funds, or of any officer whose trust exposes him to temptation and the association to the possibility of loss. The by-laws or rules should specify which officers shall give bond and the amount of bond required in each case. The approval of bonds usually rests with the directors. A bondsman is liable only to the extent of the precise terms of the bond. All officers who are required to give bond should have them ready at the first meeting after their election and hand them in at that time. Bonds should be carefully drawn so as to meet all legal requirements. Each officer who is to give bond should furnish at least two first-class sureties.

The president should give a bond of from \$2,000 to \$4,000; the vice-president, \$2,000 to \$4,000; the secretary, \$2,000 to \$5,000; the assistant secretary, \$500 to \$1,000; the treasurer, \$5,000 to \$10,000; members of appraising committee, \$1,000 to \$3,000, each; the attorney, \$5,000 to \$10,000. Members of special committees should also in some cases give bond with amounts in proportion to the duties and responsibilities devolving upon them.

RESPONSIBILITIES OF OFFICERS.

No person should be selected as an officer of a building association who is, from any cause, disquali-

fied for a faithful discharge of the functions of his office. Whoever accepts a position as an officer should faithfully and conscientiously discharge the duties imposed upon him. Hence, by agreement among the members of an association, certain provisions are usually made in the constitution or by-laws for the punishment of such lapses from duty on the part of officers as are not of a criminal character. Thus it is often provided that the officers shall be subject to fines for certain classes of offenses or to removal for certain other offenses. The rules may be so drawn as to apply to cases where the offense is not directly against the interests of the association or its members, but may simply affect the moral character of the officer and his standing in the community, thus rendering him unpopular and unfit for his position of trust in the association. An officer who becomes delinquent in his position as a member of the association, may be considered as unfit to occupy a place as an officer. The power of fixing penalties, such as fines or removal from office, may be fixed in the board of directors, or may rest in the association at large. The criminal liability of officers of a building association is the same as that of officers of other corporations or of individuals generally. No man, whatever his position, is permitted to appropriate to his individual use or advantage that which is not his own or to which he has not obtained a legal right.

REMUNERATION OF OFFICERS.

What officers shall receive compensation is determined by the provisions of the constitution and by-laws. It is the general custom to leave the amount

of compensation to be paid to the different officers to the discretion of the directors who fix the amount by special contract with the respective officers. When the salary is fixed by the constitution or by-laws the officer may claim the full amount upon the strength of that record alone. If his duties become enlarged, and the salary is then inadequate he can not claim additional compensation. His only remedy lies in securing a change in the rules or in resigning his position. In cases where compensation is not fixed by the constitution or by-laws, and where no express contract has been entered into, it rests in the discretion of the board of directors as to whether any compensation shall be allowed or not, and to what amount. It should be borne in mind that a building association is an organization for the mutual advantage of its members, and the fundamental idea is that each member shall work for the benefit of all. On this account it is expected that each member hold himself ready to contribute his personal services within reasonable limits. Therefore, even those who are in official position are expected to render a fair proportion of service without remuneration and that they are to be compensated only when it would be unjust to them as individuals to expect their services without remuneration.

A salaried officer can not claim extra compensation for work done in the line of his duty. Officers must look only to the funds of the association for their remuneration, and can not recover the amount of their salaries from individual members or directors.

SALARY OF DIRECTORS.

It has been almost the universal custom that directors should serve without remuneration. Lately the question of allowing them pay for their services is being seriously considered. Indeed, in some associations directors are paid for their services either directly or indirectly. Some of the considerations urged in favor of the payment of directors may be mentioned. Their services are indispensable to the operations of an association. It is wholly impracticable for all the members of an association to come together at each meeting and attend to the receiving of money and all its routine business operations. Even if they could so come together, it would be impracticable for such a body of people to do such work. Many of them do not know how to do it, and so many coming together they would simply be in one another's way. "What is everybody's business is nobody's business."

On account of these circumstances associations are compelled to delegate authority to certain selected members to attend to the prosecution of their business. These selected members are called directors. Because certain stockholders are selected to serve in the capacity of directors does not make it any more possible or convenient for them to attend the weekly meetings to look after the business than it would be for any other stockholder not so selected. They must lose their time and comfort, and thus interfere to a greater or less extent with the prosecution of their own private business and interests. Again, those stockholders selected to act as directors are so selected because they have that intelligence and knowledge that fit them to attend to such business. Intelligence, knowledge, and

experience are valuable. Hence, other things being equal, a director's time is likely to be of even more value than that of the average stockholder.

The directors being charged with the actual management and disposition of the business of the association, they must carry a responsibility unknown to the other stockholders. The directors are the official representatives of an association. As such they must not only execute its routine business but must represent it in all incidental matters and in emergencies. They are the sources of information to the stockholders and to outsiders. Their work on committees involves them in many duties outside of the regular meetings. They must account faithfully for all moneys coming into the possession of the association; they must keep up the collections and act promptly in case of delinquents; they must make deposits and investments; they must decide upon and declare dividends; they must pass upon premium and interest rates; they must accept or reject borrowers and mortgages and other securities; they are compelled to keep full records of all their doings in the minute and account-books. That every matter shall have due attention they are compelled to bind themselves to a certain order and routine in what they do. Finally, they are required to keep their members informed officially by regular reports of all their transactions, and of the condition of the affairs of the association in full detail.

Many members of associations, not having had experience as directors, and not being close observers or very thoughtful about the matter, do not appreciate the amount and quality of service required. Indeed,

some are inclined to look upon the position as a sinecure, a place of honor, and to be sought after on that account.

Although directors are put to all the inconvenience and labor indicated above, they have no more share in the benefits arising therefrom than have the other stockholders. It is argued that an association is a business enterprise. The men and women who compose the membership of the association do not work for their own employers except for wages. They do not give their own services without pay. On the other hand they are the employers of the directors of their associations. Should they require their own employes to serve without pay?

But if directors are to be paid it must be decided how much, and upon what basis. This is answered in a general way by saying that it must be only for services actually rendered. In the operations of an association each officer, each director, has an assignment of actual duties to perform, and if paid at all he should be paid in proportion to the amount, the character, and the responsibility of his work. In certain private corporations it has become the custom to pay each director a certain stated sum for each meeting he attends. When absent from a meeting he receives no pay. It is argued that the introduction of this system into the operations of a building association would have a good effect in two ways. First, it would secure the regular attendance of directors; second, it would secure better service from directors; for, by regular attendance upon the meetings and participation in the business, each director will have a better understanding of all the plans and details, and hence, his services will be more valuable.

There are three things to consider in fixing the amount of remuneration, if it should be decided that directors shall be paid. The pay must be somewhat in proportion to the number of meetings, the amount of business transacted, and the number of directors. Three propositions have been made in this connection : (1) That each director be paid a stated sum for each meeting he attends ; (2) That the directors be paid a certain per cent. upon the amount of business transacted ; (3) That each director be paid a stated salary per year or per term of service. This opens up a large field for discussion which it would be inappropriate to attempt to occupy here. This one practical suggestion may be made, to wit :—Let the number of directors be adapted to the actual needs in the transaction of the business of the association just as in any other business enterprise. Let the number of meetings also be adjusted so as best to meet the requirements of the association. Then upon some basis let the directors be paid for actual services rendered. It will certainly happen that the agitation of this question will lead to the introduction of better business methods in the management of associations, and it may tend to lessen their number, to concentrate the business into fewer hands, to fix responsibility more closely, and possibly to the establishment of regular offices open during all business hours as well as on certain evenings for the transaction of business, the same as in banks or private corporations, and already in existence in some building associations.

SALARY OF SECRETARY.

What is said above does not apply to the salary of the secretary. The salary of this officer should not

be based upon the work done in the meetings. His duties, even in this respect, are very exacting. He must attend all meetings, keep the accounts of receipts and disbursements, and also the minutes of the proceedings. But much the greater portion of his work is outside of the meetings, in posting his books, calculating dividends, and attending to the innumerable details connected with his office. It is very essential that a secretary should be competent and faithful, and such a secretary should be liberally paid for his work. Few secretaries receive sufficient pay.



CHAPTER XII.

POWERS AND LIABILITIES.

GENERAL POWERS.

A building association, being in the nature of a joint-stock corporation, possesses the general powers belonging to corporations of that class. These are usually laid down in the statutes of the different states about as follows :

1. To have perpetual succession ;
2. To have a corporate seal ;
3. To make contracts and to hold real estate in a corporate capacity ;
4. To sue and to be sued ; and
5. To make rules for their own government.

An association may not go beyond its statutory limitations and privileges and assume functions and prerogatives not granted in its charter. Such action would jeopardize the continuance of the charter itself and tend to render all acts of the association invalid.

PERPETUAL SUCCESSION.

The right of perpetual succession is essential to the purpose of the association, for, though the membership and the officers of the association may be changed

more or less from time to time, the association itself must maintain an organic existence until it has completed its course. Otherwise it would be impossible for such an organization to carry out its mission. While the association exists, it remains in the eye of the law an entity, notwithstanding any changes that may take place from time to time in its elements.

THE CORPORATE SEAL.

The seal of an association is the official stamp by which the papers executed as a part of its official business are to be identified and verified. The seal must be in the form of a stamp which will make an impression into wax or paper. Its custody and the manner of its use should be prescribed in the rules of the association. The affixing of the seal to an instrument should be accompanied by the official signatures of the president and the secretary. Some associations require the signature of other officers also. There has been much litigation in reference to the use of corporate seals, and the rule has been established that "Wherever the law requires a natural person to attach a seal to the instrument executed by him, in like cases only would it be necessary for the corporation to execute a like instrument by a corporate seal." The mistake should not be made that an association is not liable for contracts that are not verified by its seal. On the contrary it is liable for all undertakings that are expressed or implied by its acts.

It must not be understood that every association is required to possess a seal. The possession of a seal is essential only when required by the statutes or the

constitution of the association. As a matter of fact a large proportion of the associations in operation do not use seals.

CONTRACTS AND AGENTS.

An association may make contracts and purchases and sales directly through its corporate meeting. But, like other corporations, it usually acts through officers and agents, as heretofore explained in the discussion of the duties of officers. It is necessary that the rules provide fully for the proper execution of all contracts, that they designate the manner in which they are to be made, and the officers who are empowered to act for the association. When officers are once appointed with power to make contracts then the general laws relating to the subject of agency apply to associations, their agents, and third parties. Concerning appointments of agents, it has been held that an agent may act without written authority, or any authentication by the corporate seal of an association if a seal is used, provided his appointment is regular in other respects; that any person, even a minor, may by due appointment become an agent of an association; and that, in certain cases, a member of an association as its agent may deal with himself or with himself as the agent of a third party, provided no special advantage is secured on either side through the arrangement.

Since the appointment of the officers of an association is a matter of public record, third parties in dealing with them must satisfy themselves of their authority to act as agents. So long as agents of associations act within the limits of the authority conferred upon them the association is bound by their

acts. If an agent makes contracts in excess of his authority, they may afterwards be ratified and accepted by the association or its board of directors. In order to make his contracts in due form and binding, an agent must specify in the papers which he executes that the writing is done by the hand of an agent. Notice properly served upon an agent is a notice to the principal in the transactions for which he is employed. A notice conveyed through one director to the board at a regular meeting is a notice to the association. Or a notice conveyed to any director while engaged in the business of the association is a notice to the association, but is not a legal notice if given to him when he is not so engaged. A notice published in a newspaper is not a legal notice unless it relate to matters required to be so published. Private knowledge on the part of a director or officer, obtained from rumor or in any other accidental way, can not be regarded as an official notice to the association. A new board of directors is presumed to know all the facts and circumstances known by or communicated to the previous board. An officer or agent of an association can not delegate his authority to another person, except where some special provision is made to that end.

SUITS.

As a necessary result of its power to make contracts an association has the right to enforce such contracts by suit if necessary. On the other hand, as a party to these contracts, the association itself is liable to legal process for the violation of any of its obligations. An association may bring suit against

individuals or corporations to enforce its legal and equitable rights; and may in like manner bring suit against its own delinquent officers and members. On the other hand it is liable to be sued by outsiders or by its own officers and members for any actionable neglect or delinquency on its own part.

No general rule can be given for the issuing of processes for and against building associations, since the requirements vary under the laws of the different states. These legal requirements must of course in all such cases be carefully observed. Such matters should be attended to by the attorneys of associations. To enter upon a general specification and discussion of the grounds upon which suits may be brought by or against associations would be an undertaking too elaborate for and foreign to the purpose of this work. These matters are well defined under the general and special legislation of the different states.

RULES.

Two general principles may be laid down concerning the adoption of rules for the government of an association. The first is that the rules must conform to the constitution and laws of the United States, and also of the state in which the association exists. And the second is that they must conform to the purposes for which the association is organized. Forms for constitution and by-laws are printed in the appendix.

SPECIAL POWERS.

Associations, as a rule, in the different states are clothed with certain special powers. What these

powers may be for any particular association in any particular state must be learned from an examination of the statutes in that particular state and of the charter of that particular association. When the statutes are silent upon any particular power, neither permitting nor prohibiting it, or if doubt exists, the legal rights of an association in the premises may be determined by application to the attorney general, or by bringing action before the courts. Among the special powers which an association may or may not possess under the statutes and its charter, or independent of these, are the rights to borrow money, to acquire and to hold real estate, to build houses, etc. But some special powers are conferred upon associations generally, such as the authority to impose and collect fines. To determine the special powers of any association is a matter for legal inquiry, and in all cases should be referred to the proper legal authorities.

DISSOLUTION.

In the case of a terminating association it becomes dissolved as a matter of course at the expiration of the time for which it was incorporated and its charter granted, or when its stock matures. In some states the period of existence is fixed by the statutes. If the members of an association, or an essential portion of them should die, it would terminate its existence. If at any time the assets of an association become equal to the par value of all its stock it ceases to exist, except so far as winding up its affairs is concerned. The members may, by unanimous agreement, surrender the charter of an association and its franchises.

It has been held that, where there is no express provision on the subject, a majority of the members may, by resolution, surrender the charter and dissolve the association. But they can not do this against the resistance of the minority. An association is not dissolved by mere neglect or indifference on the part of the members which leads them to fail in the discharge of their duties.

The insolvency of an association, or the refusal of members to keep up their stock-payments, or the omission to elect officers, does not work a dissolution of the association. Associations may be dissolved by act of the legislature or decree of court, where such dissolution does not impair the obligation of contracts. Such dissolution is usually brought about by the state itself, caused by the non-use or the mis-use of the franchises of the association. In all cases when the grant of the charter is found to have been defective in any material part, or when it has been granted to persons imperfectly qualified to receive it, or upon improper representations, it is competent for the state to rescind its action and to dissolve the association. In case of the mismanagement of the affairs of an association, or where the system of operation is such as to involve losses, the courts may, upon proper application, appoint a receiver to take charge of its affairs and, if necessary, to wind it up. In the dissolution of an association, or the winding up of its affairs, many questions of equity and of law are involved, which must be anticipated in the rules, or be submitted at the time of dissolution to proper judicial or legal authority.

CHAPTER XIII.

PRACTICAL QUESTIONS ANSWERED.

EXPLANATORY NOTE.—There are numerous questions which continually arise in reference to the practical workings of associations which require specific answers. A number of the more important of these are grouped together and answered in this chapter. In this same connection various practical suggestions are made which will be found of value in the transaction of the actual business of associations.

BORROWING MONEY.

Who may borrow? It is generally understood that none but members may borrow money from an association. This is true, but it sometimes leads to a misunderstanding. While it is a fact that only members may borrow, it is also true that any person may become a member at any time with but trifling cost, and may immediately become a borrower. The constitution and by-laws of an association contain the terms and conditions upon which its money is loaned, and are, in a sense, a portion of the contract or agreement between the borrower and the association. Hence the necessity of every borrower becoming a member and affixing his signature to the constitution and by-laws. With this understanding of the matter,

the answer may be given that anybody may borrow money from an association.

For what purpose may money be borrowed? As indicated in a previous chapter,* many persons suppose that money can not be borrowed from a building association except for building purposes. As there explained, an association has nothing to do with the purpose for which money is borrowed. The sole duty of the association is to see that, in making the loan, it is protected by ample security. A member therefore may borrow money for any purpose whatever.

What amount may be borrowed? The financial transactions of an association with its members are always based upon shares. Shares are for different amounts, and members are allowed to own different numbers of shares in different associations. But the question may be answered in a general way by saying that a member may borrow the full amount of the paid-up value of the shares he holds, or any part thereof, provided the security he offers is satisfactory. Thus, if the shares of an association are \$500 each, and a member is a subscriber for three shares, he may borrow \$1,500 or any part thereof. But in order to avoid complications in accounts, most associations have the rule that money must be borrowed in even hundreds of dollars.

What must be the character and amount of security? This is determined by the rules of associations. Generally, however, the security required is first mortgage on real estate in the county where the association operates, or an assignment of the stock of the

* See Chapter II.

association on which there has been paid in more than the amount of the loan. The rule is to make no loans on property already encumbered, no matter how valuable the property or small the encumbrance. But the money borrowed may be used to raise an encumbrance on the property offered as security. Some associations accept as collateral security, government and corporation bonds, first mortgage notes, etc.

An association will usually loan money to the amount of about two-thirds of the value of the property offered as security. The value of the property is determined by an appraising committee, composed of members of the board of directors of the association.

What is the cost of a loan? The cost of a loan is made up of three items: the incidental expenses, the interest, and the premium. The incidental expenses consist of the fees for appraising property, attorney's fees for examining the title and preparing and recording the mortgage, traveling expenses if there should be any, and other such incidental matters. The rate of interest is fixed in the rules of the association, and is generally at so many cents per week or month on each share or part thereof loaned. The premium is the amount which the borrower bids when money is sold for the privilege of borrowing. The premium is in the form of so many cents per week on each share or part thereof borrowed, in addition to the rate of interest fixed by the rules of the association. The payment of one cent per week on \$100 is equivalent to about one-half per cent. per annum interest. With this, as a basis, there will be but little difficulty in calculating the cost of a loan when interest and premium are combined.

Some associations have a rule to the effect that

borrowers are not required to draw out the entire loan at first but may draw it in installments as needed, and that, in such cases, interest will be charged only from the time that the money is actually received. This arrangement is an especial convenience to persons who are building and who desire to make payments as the work progresses. It is also convenient to persons who have obligations to meet at stated periods as, for instance, notes in bank falling due at intervals. They can in this way use their money in installments without risk or waste. But the more general rule is that the full amount of interest and premium is charged up from the time the loan is made and the security is given, whether all the money is drawn out at that time or not, provided of course, that the money is on hand and ready to be paid to the borrower.

How are loans repaid? As stated before, loans are based upon shares. A borrower must keep up his regular weekly (or monthly) payments of dues, and in addition to this, the regular weekly (or monthly) installments of interest and premium as they fall due. We will suppose that a member has secured a loan of \$1,000, that the regular dues are \$1.00 per week on each share of \$500, that the regular interest is 12 cents per week per \$100, and that the premium which he agreed to pay is at the rate of 2 cents per week per \$100. His regular weekly payments therefore would be: dues \$2.00, interest \$1.20, and premium 20 cents; total \$3.40. If payments should be made monthly instead of weekly, there would, of course, be a proportionate increase. The amount to be paid regularly, however, will vary from time to time according to such arrangements as the borrower may make. In some associations he may pay more or less than the

regular amount of dues per week. He may prefer to pay interest and premiums in advance. When this rule holds, the amount he pays in goes to his credit upon his shares and begins to draw dividends, which are usually compounded semi-annually the same as are all other deposits. The greater the amount he pays in in installments the more quickly of course will his credits and dividends together amount to the \$1,000 which is necessary to pay off his loan.

How much time is required to pay up a loan? This will depend upon four things: (1) the rate of interest; (2) the amount of the regular weekly (or monthly) payments; (3) the amount of premium; (4) the amount of dividends earned by the association.

Where the rate of interest, amount of premium, and the earnings of an association are nearly uniform, then of course the length of time will depend simply upon the amount of the payments.

TABLES: LOANS AND DEPOSITS.

The following table shows how long a loan will run with various weekly payments on each \$100 when the rate of interest is 12 cents per week on each \$100, the premium is 2 cents per week on each \$100, and the earnings of the association are 7 per cent. per annum. This has been prepared by Mr. A. A. Winters.

Weekly payments on each \$100.	Time to run.
25 cents.....	11 years 24 weeks.
30 "	8 " 41 "
40 "	6 " 5 "
50 "	4 " 31 "
60 "	3 " 39 "
70 "	3 " 6 "
80 "	2 " 36 "
90 "	2 " 18 "
100 "	2 " 5 "

TABLE

Showing the course of a loan of \$1,000.

Premium at 20 cents per week.

Interest at \$1.20 per week.

Seven per cent dividends compounded semi-annually.

1st Year.	Loan		\$1,000 00	Rate of Int. 7 ⁸ / ₁₀₀ per ct.
	Payments	\$130 00		
	Interest and premium for year	\$72 80		
	Less dividends	2 00		
	Net cost of loan	70 80		
	Principal reduced		59 20	
2d Year.	Bal. due beginning of year		\$940 80	Rate of Int. 7 ⁸ / ₁₀₀ per ct.
	Payments	130 00		
	Interest and premium for year	72 80		
	Less dividends	6 23		
	Net cost of loan	66 57		
	Principal reduced		63 43	
3d Year.	Bal. due beginning of year		\$877 37	Rate of Int. 7 ⁷ / ₁₀₀ per ct.
	Payments	130 00		
	Interest and premium	72 80		
	Less dividends	10 75		
	Net cost of loan	62 05		
	Principal reduced		67 95	
4th Year.	Bal. due beginning of year		\$809 42	Rate of Int. 7 ⁷ / ₁₀₀ per ct.
	Payments	130 00		
	Interest and premium for year	72 80		
	Less dividends	15 59		
	Net cost of loan	57 21		
	Principal reduced		72 79	
5th Year.	Bal. due beginning of year		\$736 63	Rate of Int. 7 ⁷ / ₁₀₀ per ct.
	Payments	130 00		
	Interest and premium for year	72 80		
	Less dividends	20 76		
	Net cost of loan	52 04		
	Principal reduced		77 96	
6th Year.	Bal. due beginning of year		\$658 67	Rate of Int. 7 ⁶ / ₁₀₀ per ct.
	Payments	130 00		
	Interest and premium for year	72 80		
	Less dividends	25 31		
	Net cost of loan	46 49		
	Principal reduced		83 51	

7th Year.	Bal. due beginning of year.....		\$575 16	Rate of Int. 7 ⁵ / ₁₀₀ per ct.
	Payments.....	130 00		
	Interest and premium for year.....	72 80		
	Less dividends.....	32 26		
	Net cost of loan.....	40 51		
	Principal reduced.....		89 46	
8th Year.	Bal. due beginning of year.....		\$485 70	Rate of Int. 7 ⁴ / ₁₀₀ per ct.
	Payments.....	130 00		
	Interest and premium for year.....	72 80		
	Less dividends.....	38 63		
	Net cost of loan.....	34 17		
	Principal reduced.....		95 83	
9th Year.	Bal. due beginning of year.....		\$389 87	Rate of Int. 7 ² / ₁₀₀ per ct.
	Payments.....	130 00		
	Interest and premium for year.....	72 80		
	Less dividends.....	45 46		
	Net cost of loan.....	27 34		
	Principal reduced.....		102 66	
10th Year.	Bal. due beginning of year.....		\$287 21	Rate of Int. 7 per ct.
	Payments.....	130 00		
	Interest and premium for year.....	72 80		
	Less dividends.....	52 77		
	Net cost of loan.....	20 03		
	Principal reduced.....		109 97	
11th Year.	Bal. due beginning of year.....		\$177 24	Rate of Int. 6 ⁸⁸ / ₁₀₀ per ct.
	Payments.....	130 00		
	Interest and premium for year.....	72 80		
	Less dividends.....	60 62		
	Net cost of loan.....	12 18		
	Principal reduced.....		117 82	
12th Year. 24 we'ks	Bal. due beginning of year.....		\$59 42	
	Payments.....	62 50		
	Interest and premium.....	35 00		
	Less dividends.....	32 00		
	Net cost of loan.....	3 00		
	Principal reduced.....		59 50	

Time, 11 years and 24 weeks.

Total amount of payments, \$1,492.50.

Total interest and premium, \$835.80.

Total dividends, \$343.38.

Net cost of loan, \$492.42.

The following table shows the length of time required for a \$500 share to mature when the dues are \$1 per week, and the dividends at the rate of 7 per cent per annum :

TIME.		Amount paid in.	Dividends on same.	Value of Share each half year.	Value of Share each year.
1st year.	End of 26 weeks.	\$26 00	\$ 45	\$26 45	
	“ 52 “	52 00	1 40		\$53 85
2d year.	“ 26 “	78 00	2 34	82 19	
	“ 52 “	104 00	3 36		111 55
3d year.	“ 26 “	130 00	4 37	141 92	
	“ 52 “	156 00	5 42		173 34
4th year.	“ 26 “	182 00	6 54	205 88	
	“ 52 “	208 00	7 66		239 54
5th year.	“ 26 “	234 00	8 85	274 39	
	“ 52 “	260 00	10 08		310 47
6th year.	“ 26 “	286 00	11 34	347 81	
	“ 52 “	312 00	12 63		386 44
7th year.	“ 26 “	338 00	14 00	426 44	
	“ 52 “	364 00	15 40		467 84
8th year.	“ 26 “	390 00	16 83	510 67	
			\$120 67		

Total length of time, 7 years 6 months.

“ amount paid in as dues.....\$390 00
 “ “ dividends at 7% per annum credited
 every six months..... 120 67

Total credits on share.....\$510 67

The following table shows the length of time required for the payment of a loan of \$500 (one share) when the dues are \$1 per week, the dividends 8 per cent per annum, the premium 5 cents per week, and the interest 6 per cent per annum :

TIME.	DUES.	Divi- dends.		Am't due each year on which interest is paid.	Interest.	Pre- mium.	TOTAL. Interest and Prem.
1st year	\$52 00	\$2 16	Am't borr'w'd less dues and dividends.	\$500 00 54 16	\$30 00	\$2 60	\$32 60
2d "	52 00	2 16	"	445 84 54 16	26 76	2 60	29 36
3d "	52 00	2 16	"	391 68 54 16	23 52	2 60	26 12
4th "	52 00	2 16	"	337 52 54 16	20 28	2 60	22 88
5th "	52 00	2 16	"	283 36 54 16	16 98	2 60	19 58
6th "	52 00	2 16	"	229 20 54 16	13 74	2 60	16 34
7th "	52 00	2 16	"	175 04 54 16	10 50	2 60	13 10
8th "	52 00	2 16	"	120 88 54 16	7 26	2 60	9 86
9th "	52 00	2 16	"	66 72 54 16	4 02	2 60	6 62
12 w'ks	12 56			12 56	20	60	80
Totals	\$480 56	\$19 44			\$153 26	\$24 00	\$177 26

Total Dues,	\$480.56	Total Interest,	\$153.26
" Dividends,	19.44	" Premium,	24.00
" Credits...	\$500 00	Total cost of loan,	\$177.26

\$500 at simple interest at 6% for 9 years and 12 weeks
would cost\$277.50

Advantages of a Building Association Loan. With many a person it is easy to pay off a loan in installments where it would be impossible to meet the entire indebtedness at once. Money borrowed from private persons or corporations is usually loaned on mortgage for one year. At the end of the year it must either be paid or a new loan must be negotiated which involves a repetition of all the original trouble, expense, and anxiety. The time when a note is coming due which is secured by a mortgage on one's home is not a pleasant day to which to look forward. It so often happens that the money which the borrower thought he would have saved up against the evil day is not forthcoming. Indeed, not infrequently the borrower finds difficulty in paying even the interest. In borrowing from a building association all this annual or periodical uneasiness is avoided. Each week or month takes care of itself, the burden is evenly distributed, and one can readily regulate his habits and manner of life to conform to his necessities. Week by week the regular installments are paid, almost without feeling them, and the loan, which would be a terrible burden if it must be paid in one sum, is carried and ultimately paid off with ease.

In borrowing from an association a member should make such arrangements for his payments as are not likely to become burdensome. It is better to arrange to make them as low as is consistent with safety. Then if, from time to time, the borrower finds that he can pay more than the agreed amount let him do so. And the amount thus paid in in advance will not only stand to his credit but, in many associations, will draw dividends in his favor. Moreover, by thus get-

ting some distance ahead with his payments, in case of sickness, loss of work, or some other misfortune, he may cease making payments for a time without falling into arrears or being in danger of losing his property.

If a borrower unexpectedly finds himself able at any time to pay off all, or a considerable portion of his loan, it is better for him to do so. He not only relieves himself of an obligation by doing so and, in most cases, stops his interest, but he puts himself in such position that he may begin to accumulate money for himself which may be profitably invested in the association or in some other way.

CONTINGENT OR RESERVE FUND.

In the course of time in almost every association some losses will occur and some extra expenses will arise. If these should be taken as they occur in a lump out of the current earnings or receipts of the association, they would diminish the regular dividends for that period to such an extent as would create dissatisfaction among the stockholders. In order, therefore, to be prepared for emergencies of this character, the directors should from the beginning of the association, when the dividends are declared, set aside some portion of the profits for a reserve fund to meet any contingent expenses or losses which may arise. The proportion of profits to be set aside for a reserve fund should be left to the discretion of the directors to be decided at the regular semi-annual periods. It is not likely that occasions will often occur when it will be necessary to set aside more than one-tenth or one-eighth of the profits for

the contingent fund. This reserve fund should be held faithfully for the purpose for which it is established. No member should be allowed to have any claim upon it. But when a member's shares mature and he draws out his money, he is then entitled to withdraw his pro rata proportion from the reserve fund. Provision for a reserve fund is fixed by statute in some states.

UNDIVIDED PROFITS.

In the periodical apportionment of the profits of the association there is nearly always a little residue left over, from the fact that it is a very laborious undertaking to calculate and divide the gains down to a very small fractional part. The custom is to fix the dividend at such a rate as approximates closely to the gains of the association, but which may be expressed either by a whole number or a mixed number in which the fraction is of a convenient denomination to use in calculations. To illustrate: The actual gains of an association might be $7\frac{5}{10}\%$ per cent. Assuming that $\frac{1}{2}$ of one per cent. is placed to the credit of the contingent fund, this would leave $7\frac{1}{10}\%$ per cent. To calculate the dividends of each member at this rate would put upon the secretary a large amount of very laborious figuring and involve no little liability to error. To avoid this the rate of the dividend would probably be fixed at 7 per cent. This leaves 1% of one per cent. of the profits for that term which are undivided. Also in the calculations there will be some small undivided profits. Some associations pass these fractional portions of undivided profits to the credit of the contingent fund; others place

them in what is called the undivided profit account. When these are carried in the latter way the amounts left over from period to period should be added to the gains for each closing period before the dividends are declared. Where the undivided profits are passed to the credit of the contingent fund, they, of course, become liable to all the conditions covering that fund.

MORTGAGES : CUSTODY, RECORDING, ETC.

Mortgages should be placed upon the records of the county in which the mortgaged property is located. This should be done immediately after their execution in order to secure the proper priority of lien. One of the officers of the association (president, secretary, or treasurer) should be entrusted with this duty. It is advisable to provide this officer with a book containing certificates of record to be signed by the recorder, clerk, or prothonotary, with whom the mortgage is left for recording. The blank for these certificates should be about as follows :

Received for record..... 189.. at .. o'clock ...
minutes .. M. from The Building and Loan Associa-
tion, a mortgage given by..... to said associa-
tion, dated 189..

..... ,
..... of..... County,.....

When a mortgage has been fully satisfied it should be discharged forthwith by a certificate of satisfaction by the president; or president and secretary, as the rule may be, for entry upon the county records. If this certificate is indorsed upon the back of the mortgage it may be in this form :

The foregoing and within mortgage has been fully paid and satisfied and the recorder (clerk, or prothonotary, as the case may be) is hereby authorized to cancel the same off of the records ofCounty.....

The..... Building and Loan Association,

By....., President,

....., Secretary.

If the certificate of satisfaction is upon a separate sheet it must contain an accurate description of the mortgage designated for cancellation with the number of the mortgage book and the page where the same is recorded.

The mortgages held by an association should not be left in the possession of any one of the officers, since this places a needless and irksome responsibility upon such officer, and since, in such custody, they might be liable to be lost or mislaid. They should be placed in the fire-proof safe of the association if it has one; if it has none they ought to be deposited in the safe of some bank or in a safe-deposit vault, even if a small expense be incurred thereby. The mortgages as filed away should be properly arranged, either alphabetically according to the names of the mortgagors, or in numerical order corresponding with the numbers of the members or shareholders executing them, so that any particular mortgage may be found readily.

If a fire insurance policy is held as collateral to the mortgage, the policy should be filed with the mortgage, a band or string holding the two papers together or both being enclosed in an envelope.

INSURANCE POLICIES AS COLLATERAL SECURITY.

In all cases where the value of the land mortgaged is not sufficient to secure the loan, and there are buildings upon the land which are included in the mortgage, fire-insurance policies on these buildings should be required. These policies should be assigned to the association. But in cases where the value of the land is evidently sufficient to cover the amount of the loan, including interest and costs of suit in case of a foreclosure, less the amount already paid in by the shareholder, it is not only unreasonable to require the assignment of a fire insurance policy but it also makes needless work for the officers of the association having charge of insurance matters.

It should be made the duty of the secretary or of some other officer to keep a record of all the fire policies held as collateral security. This record should include the name and address of the company or of the agent issuing the policy and a sufficient description of the policy itself to make it easily recognizable. The record should be indexed with the names or numbers of the shareholders assigning the policies so that reference may be made to each readily. The record of policies should also be arranged in monthly groups showing when the policies expire.

The month before the expiration of a policy the officer having charge of this matter should notify the mortgagor of the approaching expiration of his policy and request that it be renewed on or before the meeting day next preceding its expiration. At this meeting the certificate of entry of renewal duly signed by the agent or representative of the insurance company must be furnished to said officer of the association.

When an entry on the policy by the representative of the insurance company is required, the policy should be delivered to the mortgagor for that purpose to be returned at the meeting as before stated.

If a borrower shall pay off a portion of his loan, reducing it to such an extent that the land covered by his mortgage independent of the buildings thereon is sufficient security for the loan, then his fire policy should be returned to him with the proper certificate of satisfaction and relinquishment either endorsed upon the policy itself or upon a special blank for that purpose. If endorsed upon the policy it may be in these words :

..... 189..

The security for which this policy has been held by The Building and Loan Association is hereby relinquished.

..... President,

..... Secretary,

The Building and Loan Association.

When a special blank is used it must give the number and the date of the policy and the name of the insurance company issuing it, in addition to the words signifying relinquishment.

If a loan is secured by mortgage on a terminating leasehold the policy of insurance should be held as collateral until the final satisfaction of the mortgage. Then the policy with the mortgage should be surrendered with the proper certificate of satisfaction as above.

LEASEHOLDS.

When a leasehold is mortgaged to an association the secretary or other officer whose duty it may be should enter in a book kept for that purpose a copy of the forfeiture clause of the lease ; likewise the dates when ground rents become due, arranged in monthly groups as indicated above for the insurance policies. Receipts for the payment of the rental, taxes, and assessments, if any, should be presented, at the latest, at the meeting preceding the expiration of the term of forfeitures and the entry that such receipts have been produced should be made on the book of the proper officer.

TAXES AND ASSESSMENTS.

Mortgagors should be required, subject to penalties fixed by the rules, to present to the proper officers of the association their tax or assessment receipts at the farthest within one month after the last day when they were payable. An entry should be made in a book kept for that purpose to the effect that such a receipt was duly produced.

PAYMENT OF DIVIDENDS.

It is the practice in some associations for the members to draw out their dividends at the end of each term. This is probably a bad rule. Associations are organized for the purpose of enabling and encouraging their members to save money. If the members draw out their dividends regularly they are apt to expend this money which they might otherwise save. Unless a member absolutely needs his dividends it is better for him to allow them to stand to his credit. In asso-

ciations where the dividends are not drawn out they usually are compounded from term to term and thus assist materially in increasing a member's income. It is an advantage to the association also for the dividends to be left in the treasury. In an average association doing a prosperous business, the semi-annual dividends will amount to a considerable sum which can be profitably loaned or invested by the association.

But where the dividends are paid at the end of each term the directors must make special provision to have the money on hand with which to pay them. If dividends are not forthcoming when expected, suspicions may arise and there may be a loss of confidence among the members.

In paying dividends* it is convenient to have each member's money placed in an envelope beforehand so that on the meeting night it can be handed to him without any delay. The envelope may be printed about as follows :

Book No.....
Dividend of
 The.....
 Building and Loan Association for term ending.....
 189...
 Name
 Amount \$

As these envelopes containing the dividends are distributed to the members each member should sign a receipt in the following form :

* For methods of calculating dividends and dividend tables see Chapter XVI.

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 189...
 Name
 Amount \$

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* For methods of calculating dividends and dividend tables see Chapter XVI.

.....189..

Received of The

Building and Loan Association the sum of.....

.....dollars in full for dividend for term ending

.....189...

.....

Book No.....

These receipts may be loose, or bound in book form. If loose, after they have been signed, they should be filed either in the numerical order of the members' pass-books, or in the alphabetical order of the members' names, so that they can be referred to readily.

Some associations pay dividends by issuing warrants upon the Treasurer who cashes them on presentation. These warrants are in the following form:

No.....

.....189...

Treasurer of

The.....Building and Loan Association:

Pay to the order ofthe sum of

.....dollars, dividend in full for term

ending.....189...

.....Secretary.

\$

In some states the statutes, and in many associations the rules, require that all moneys shall be deposited in bank and paid by check.

DUES, DEPOSIT SLIPS, ETC.

At the appointed time for the payment of dues the tables should be cleared and conveniently arranged. The secretary and his assistants and the finance committee should take proper position. The dues book should lie open in the most convenient place for use by the secretary or other person receiving the payments, and for reference by his assistants and the members of the finance committee. Regular money boxes should be provided for assorting and depositing the money as received.

It will greatly facilitate business if associations will use deposit slips or deposit envelopes. These are also of great advantage and convenience in checking up for any errors which may arise.

PAYING OFF SHARES.

Before the directors pay up shares in full or relinquish mortgages, they should consider carefully the association's liabilities so that they may know—

1. What losses are liable to occur ;
2. What mortgages are likely to prove bad ;
3. What inside creditors the association has ;
4. Whether or not the existing reserve fund is sufficient to cover all such liabilities.

Thus the directors may protect the association from any possible shortage. In case of withdrawal at any time when losses are pending, the shares withdrawn should be debited with their equitable proportion of the impending liability. If this is not made the rule knowing members, when the association may be under threatened temporary embarrassment, would withdraw their shares and escape without losses, while

the faithful and unsuspecting members remaining over would be compelled to meet the emergency.

It must not be imagined that this prudence is unnecessary because of the fact that, generally speaking, building associations conducted on the permanent plan are prosperous and run along smoothly from year to year without embarrassment. Unexpected circumstances may arise in the affairs of an association just as in any other business enterprise. The officers, through inexperience or carelessness, may make mistakes. A neighboring association may declare large dividends. Then the officers think that their own association can do as well, and will increase their own dividends and pay out for profits more than the association has earned. Any increase in dividends has a very pleasing and quieting effect upon members. As a result the members themselves, under such circumstances, become more careless, and, in consequence without any evil intent on the part of either officers or members, unexpected embarrassment may arise. It is well to anticipate all such emergencies beforehand, and thus to be prepared for them. It is easy to under-estimate an association's liabilities to borrowing members on the one hand, and to over-estimate the value of mortgages on advanced shares on the other.

Another serious mistake which has often been made, principally in associations conducting their business on the gross plan, is to divide the profits at the end of the first term. If this is done a member coming in during the second term would afterwards have no share of certain profits to which in the course of time he would be justly entitled. In some reports

unearned premiums and unearned interest will be found reckoned as assets. This is certainly a mistake since in each new term these assets must be reduced by the amount which must be placed to the credit or profits for that term.

In some instances we have found reported as assets the entire outstanding re-payments having an unexpired term, without any reduction or discount being made for the time that must elapse before they shall be paid.



their own money that is invested in the business. They invest this according to their own judgment, and handle the business at their own discretion. In consequence they are naturally watchful and painstaking in all they do, their time and thought being devoted to the business. If the business prospers, well and good. But if they find that it is not prospering they may, without consulting any one, proceed to close it up.

In the management of a building association the conditions are different. The directors and officers have some financial interest in it, but this interest is likely to be of minor importance as compared with their other and outside individual interests, and it is also unimportant as compared with the aggregate interest of the association. The case is different in the management of any private individual enterprise, or of the business of any regular business firm or corporation. In a private enterprise the managers give to the business their whole time and thought. In the management of the business of a building association it is only incidentally that time and thought are given to it. Let the officers of an association be ever so conscientious, ever so much interested, nevertheless the opportunities for error are greater in an associated than in a private enterprise. An association's business is open to many more risks of the mis-use or non-use of powers on the part of managers than is the case where proprietary interests are involved and the management is embodied in one or a few men whose duty and interest it is to make it their sole occupation to watch over and administer their own affairs.

These facts give rise to a special necessity for the systematic and regular auditing of the accounts of

every co-operative enterprise. This necessity is of a dual and reciprocal nature. It is due on the one hand for the protection of the society's interests and the individual interests of the members. On the other hand it is necessary for the protection and proper endorsement of the officers in the discharge of their duties.

Indirectly also another important reason exists for the careful administration and auditing of the affairs of every building association. It is only by such systematic watchfulness that the best success and prosperity of an association can be secured and assured. Any failure of an association, be it complete or partial, is very unfortunate, not only for the individual shareholders but also for the community. Such an occurrence goes far towards creating a distrust of this method of co-operation. Such a distrust once aroused is likely to continue for one or two generations. Persons who lose money in a building association will be very slow to risk their earnings in another such institution, and their families, neighbors, and friends will be influenced strongly by their opinion and attitude. Such a failure not only causes embarrassment to associations already in operation, but prevents the establishment of other associations in that immediate vicinity. The influence goes farther, for, those who have suffered by it, removing into new neighborhoods and communities, even at a great distance, carry with them the story of their unfortunate experience, and this may be sufficient to prevent the establishment of such societies elsewhere. Upon this ground alone it behooves all persons who are interested in the welfare of this form of co-operation, and who

are convinced of the good that it is accomplishing, and of the great future that awaits it, to insist upon the regular and responsible auditing of the accounts in the associations with which they are connected.

Many other considerations of like general character, showing the necessity of the regular and thorough auditing of the accounts of building associations, will suggest themselves to the intelligent reader, and need not be mentioned here.

PURPOSES OF AUDITING.

One of the most hopeful indications of the future prosperity and usefulness of the building association system is to be seen in the fact that more and more the question of official supervision and compulsory auditing is receiving attention. That this system of co-operative saving shall have continued popularity it must hold the confidence of the people. This can be accomplished only by throwing about it such wise safeguards as experience has shown to be necessary in order to make and keep it worthy of such confidence.

Auditing is supervision practically applied. It means not only testing the accuracy and the trustworthiness of the accounts, and the honesty and efficiency of officers, but it includes also the testing and the perfecting of methods, and the securing of practical economy. It involves the proving of the conduct of an association by the fundamental principles upon which this form of co-operation is based on the one hand, and also by external checks and testimony on the other. A proper audit reviews both the plan and the method of the society, and also its practical operations.

An association, properly organized and properly operated, is like a complicated piece of machinery, in which each part is nicely adjusted to fit into its corresponding parts, so that all work together in a perfect co-ordination, with the least friction, and with economy of power, and reach the highest productive or executive possibility. Only a regular systematic audit will keep the machinery of an association in good form and perfect running order. If an audit has no other effect than to cause an association to keep up proper appearances, it fulfills an important function. The audit takes the affairs of the society as it finds them and compares them with what they would be if ideally perfect, and thus furnishes a test of the actual status of the organization and a corresponding gauge of its usefulness and its title to confidence.

Formulated somewhat specifically, the principal reasons why the accounts of an association should be audited regularly and carefully are as follows:

1. For the protection of the business of the association as a corporate body.
2. For the protection of the individual members, both creditors and borrowers.
3. To determine that the business is conducted according to statutory requirements, and also in harmony with the provisions of the constitution of the association.
4. For the purpose of determining whether the business of the association is conducted economically and according to the most approved and best labor-saving systems.
5. For the purpose of having available at all times and for any purpose a verified and reliable statement of the association's affairs.

6. To elevate and maintain the standing of the association as one of the competitive financial institutions of the community, and to supply the necessary evidences of its safety and prosperity to all persons who would make desirable members.

PROTECTION OF CORPORATE INTERESTS.

Practically an association is a business partnership. Each member commits his capital to it as he pays in his regular installments. This capital, in its aggregate interest, is risked in the transactions of the association. It must be guarded, not only from thieves who would break through and steal, but from speculative risks and embezzlement. It must be directed into the channels for which it is intended. It must be so handled as to make it productive in the highest possible legitimate degree. It must have all the care, and the same kind of care, necessary in the management of any purely individual or private interest. The association's prosperity is dependent upon the confidence and the co-operation of its own members. It deals only with members. The officers must not only be capable and trustworthy, but must so keep the records and accounts that the actual financial condition of the association and the results of its business operations may be at any time readily and correctly ascertained. When the accounts are kept correctly and stand the test of a careful audit, the members are enabled to judge as to the safety and the profit of their investments. Any irregularity of management will be discovered before it reaches such proportions as to jeopardize the stability or the solvency of the association.

PROTECTION OF MEMBERS.

Members of an association entrust their surplus earnings to it in order to save them. If it were not for this purpose of saving they would have no use for the association. When a properly verified balance sheet is presented, showing that the money actually saved, is safe, and is moreover so invested that it is earning something, and that there are no actual or prospective losses, deficiencies, bad debts, defalcations, etc., then the members know that they have taken all necessary precautions to protect and to conserve their interests. They know also that by the methods the officers have adopted and by the system of auditing which has been inaugurated, they are able to discover any leakage before it reaches such proportions as to endanger their money.

As remarked in another place, a practical system of auditing is indispensable when the affairs of an association are prosperous. It is all the more necessary when this is not the case. Any lack of prosperity is thus discovered promptly, and immediate steps may be taken to improve the situation, if this be possible. If this cannot be done, members will know what to expect, and will not be disappointed at low dividends or no dividends. If the situation is so bad as to make it necessary, arrangements may be made to wind up the affairs of the association before they reach such a condition as to involve seriously the interests of the members.

Occasionally an association is allowed to drag along feebly after it has become apparent that it is not prospering, until it reaches a condition when it is impossible to wind it up without serious loss. Such

a case may arise from outside circumstances, local or otherwise, as well as from mismanagement or inattention on the part of the officers. Many circumstances, as the removal of factories, the depreciation of real estate, and other such things, may change the conditions under which an association was established. It is always best to know the worst at once and to act accordingly. When losses accumulate until a crash comes, it is nearly always found that the assets are less in value than they are supposed to be. In addition, the cost of winding up is so greatly increased that this of itself very materially reduces the assets. This is a condition that should never be permitted to arise, and one that is practically impossible under any proper system of auditing.

STATUTORY AND CONSTITUTIONAL REQUIREMENTS.

The business of building associations has grown to such proportions that it has become one of the important factors in the financial transactions of the country. In few other connections are the personal property interests of a larger number of citizens involved. There is this other consideration also, that the number of citizens who entrust their savings to the care of associations is likely to continue to increase at a very rapid rate, and probably in the near future will reach an astonishing aggregate. Very properly therefore, the legislatures in the different states give the subject attention from time to time, and provide by statute the limitations and the methods to be observed by the associations.

These corporations, in order for their own guidance, establish, under the statutes of the state, certain rules

and regulations, which they embody in their constitutions and by-laws. These rules determine the methods and the restrictions of their operations. Upon the faithful observance of these depend the safety and the prosperity of the associations and the protection of the deposits made by shareholders.

In a sense therefore, it is the business of an auditor to inspect as well as to audit. Not only should he compare and check items, verify entries and footings, etc., and test all the details of the accounting and the book-keeping, but he should inspect the methods upon which the system of accounting is based, and the ends it aims at, and should satisfy himself that both the accounting and the operations of the associations are in accordance with the constitution and the by-laws, and farther than this, that the rules themselves of the association are in harmony with the statutes of the state. It is only by this system of far-reaching and thorough auditing that an auditor can render a faithful report to those who have trusted for the time being, to his guardianship of their interests.

ECONOMICAL, LABOR-*SAVING*, AND SIMPLE METHODS.

People desire economy and simplicity in the management of their business. They do not want an unnecessary expenditure of money, nor a cumbrous system which they can not understand. They like to see economical and labor-saving methods adopted in the management of the business of their associations, and all superfluous work and intricate books dispensed with. They like to have accounts in such form that they themselves can readily understand them and thus perceive how they are kept. Experi-

ence has shown that the weakness of many associations which have failed has been just here. There was a waste of money in the manner in which the business was conducted. Much unnecessary work was required, and the system followed was so intricate and cumbersome that it was not readily understood, and it did not give a plain showing of the affairs of the association. Consequently, an association would become involved before its real condition was discovered.

Proper auditing, by those expert in such matters, would quickly detect any such condition as this and put an end to it.

THE BALANCE SHEET.

The best method of securing this condition is to have thoroughly efficient auditors, appointed by the state, or appointed by and responsible to, the stockholders and directors of the association, to examine the records, and to report to them the manner in which accounts have been kept, to verify the balance sheet, and to be able to state that in this the secretary and the directors have shown correctly the business for the period covered, and that it is a true exhibit of the condition of the association upon the date of its issue. Such a statement thus verified enables the members to act with intelligence and confidence, and also gives to outsiders who may wish to become members, or who may have some other interest, full and trustworthy information. If an association is prosperous a correct balance sheet is its best advertisement. If it is not prosperous the balance sheet should all the more demonstrate the fact in order that the members may be fully warned.

In this connection it may be remarked in passing that such methods of book-keeping have now been devised for associations that the secretary's accounts may exhibit a continuous balance sheet, showing at any moment the exact condition of the association's business.

THE AUDITOR THE REPRESENTATIVE OF THE MEMBERS.

The first point to make distinct is that an auditor does his work in the interest of the members as contra-distinguished from the officers of an association, and is their representative. He knows nothing of and cares nothing, for the time being, for the officers whose accounts he is examining. He is appointed for the purpose of ascertaining on behalf of the stockholders that their money has been properly accounted for, that such of the funds as have been expended have been applied in the manner intended and as indicated in the accounts, and that the unexpended portion is invested or held as intended, and that this is shown in the report and the balance sheet. In a general way he is to give to the co-partners or shareholders his assurance that the transactions of the officers and the directors in the management of the business of the association has been wise and discreet, and according to the rules and the purposes of the association, and that the report and the statement which they present correctly and accurately represent the actual transactions and condition of the association, and that it may be relied upon as showing the real result of their management, that the balance sheet presents the actual receipts and expenditures, costs and gains, and liabilities and assets, for the term it covers.

For the time being the auditor is the critic, the judge, of the officers,—their friend and ally if their accounts are correct and their conduct right, their uncompromising antagonist if they are guilty of any shortcoming or wrongdoing.

THE SELECTION OF AN AUDITING COMMITTEE.

Determining who shall be the auditor or auditing committee is a very important matter. In most associations, that is to say in associations that have not long been organized, the auditors are, usually three or five members selected by the membership at large, or by the directors, for this purpose. In the older associations, and in not a few of the younger ones, a single auditor is chosen who, as a rule, is a professional accountant, and may or may not be a member. Other things being equal, it is better that he should not be a member of the association, since thus he may be supposed to be wholly disinterested. It will be for each association to determine for itself whether the auditing shall be by a committee of members or by the employment of a special auditor or professional accountant. It seems altogether likely that, as the building association system shall have farther development and shall become more carefully formulated, as a result of experience an improved system of auditing will come into general use. The auditing then doubtless in nearly every case will be done by a special auditor,—possibly one appointed by, and acting under state authority.

QUALIFICATIONS FOR AUDITING.

Whether the audit be by a single individual, or by a committee, the qualifications must be the same. If

by an individual, he must possess all the qualifications himself; if by a committee, one member may be versed in one part of their work, and another skilled in some other department. For convenience in presenting the subject, and in order to make it a little more pointed and specific, we will treat the auditor in the singular number, and will speak of the qualifications necessary to any individual who should be regarded as competent for such a task.

The auditor's duties begin immediately with the books and the accounts of an association. These must be placed in his hands, posted and balanced up to date, including the last meeting for the term over which his duty is to extend. The mistake should not be made that he is to take the books and accounts of an association and put them into proper shape, if he does not find them so. He has nothing to do with this, unless he is employed to correct as well as to audit the books. He is to take them just as he finds them and to report upon them as they are. While an auditor must be a book-keeper, auditing is not book-keeping. How frequently it happens that an auditing committee sets to work to straighten up the books and the accounts of an association preliminary to their auditing and checking. Keeping the accounts belongs wholly to the officers of the association, and it is the business of the auditor to report upon things exactly as he finds them without mending or altering them in any way. He is the representative of the shareholders and membership at large, and not an assistant of the secretary and other officers. It is his business to criticise and find fault—if criticism is warranted—with the work of the secre-

tary and the officers as shown in their books and reports, and not to correct and cover up their faults and shortcomings.

Not only must an auditor have a thorough knowledge of accounts generally, but he must be an expert in association accounts. The first principles of accounting are the same always and everywhere; but in each particular line of business the application of the first principles must vary. Consequently, one may be an expert bank accountant but not posted in insurance accounting, or in manufacturing or in merchandising. Building association accounts have their own distinct peculiarities, and present certain features of accounting not found in other lines of business. The best auditor of building association accounts therefore must be a specialist in this particular line.

Again, there is progress in the science and art of accounting as in all other sciences and arts. Methods formerly in general use are now discarded for those which are better. In every line of business labor-saving systems have been introduced which not only make economy in time and expense possible, but also greatly simplify the plans and make the results more readily attainable and comprehensible. There are many devices now in common use which facilitate and expedite the work of an accountant. An auditor should not be an old fogy. He should be up with the times and have a full knowledge of modern methods and improvements and all labor and time-saving devices. He should have a quick grasp of things, so that he can see at once the correlation of all the affairs of the association, and also the relations which each separate account or item bears to the whole.

Not only must he be an expert accountant, but he must understand the philosophy and the principles of the line of business with which he is dealing. A building association is the application of the principles of co-operation to business matters. The business of an association differs from that of an individual, or of an ordinary business firm, in the fact that the private interests of so many more individuals are involved. This introduces the elements or principles of co-operation. In order to see that these are correctly applied and carried out it is necessary that the auditor shall himself be well informed in regard to the principles which underlie co-operation in general, and co-operation in this special direction, in particular.

It hardly seems necessary to say that an auditor must be honest and incorruptible. His intentions and purposes must be absolutely correct on the one hand, and, on the other, he must not be susceptible to any kind of influence that might lead him away from such purposes. Any such influence as deliberate attempts at bribery are hardly to be expected in such an institution as a building association, but there might be the influences of friendship, or sympathy, or something of that kind, which would tend to swerve an auditor from a straight line. These must be guarded against, not only on the part of the members in the selection of the auditor, but on the part of the auditor himself, in the prosecution of his work.

An auditor must be courageous and firm. He may find himself antagonized and opposed. He may find opposition where he expected co-operation. He may find weakness where he expected strength. He may be placed under a variety of circumstances which

make it difficult for him faithfully to prosecute his work. His courage and firmness must never fail.

He must be a discreet man, one capable of keeping his own counsel, going his own way, minding his own business, and reaching his own conclusions.

He must be a man of tact and courtesy, having the faculty of finding out what he wants to know, of winning the esteem and confidence of those with whom he is brought into contact, and of commanding the respect even of those whose shortcomings or faults he may be called upon to expose.

Withal he must be a man of moderation and forbearance, not hasty to reach conclusions, not disposed to take any improper advantage of his position or knowledge, and not inclined to be dictatorial or overbearing in his manners in any respect.

DISQUALIFICATION OF AUDITORS.

That a proper system of auditing goes far to establish confidence in an association has been proven beyond doubt. The shareholders should bear in mind that it lies in their power to increase the advantages of auditing to the maximum by a judicious selection of auditors and the adoption of the best methods as to the time, manner, frequency, etc., of making the audits. A man may be a good penman or copyist, or may be reliable in the addition of columns of figures, or in multiplication, etc., he may be successful as a mechanical or routine book-keeper, and still be wholly incompetent as an auditor. To be capable of making an audit, he must have a thorough comprehension of what the figures and the items he has to inspect mean, and must understand their philosophical, as well as

their mathematical relations. A scheming official might easily keep a book-keeper's clerk or assistant in a good humor with himself by giving him plenty of mechanical work to do, checking this and that, adding here, subtracting there, and multiplying yonder, all of which would lead to nothing at all, but would leave the auditor (?) with the impression that he was making a very thorough audit. By thus flattering his vanity, and enabling him to make a great show of his work, he could be effectually thrown off of any dangerous scent, and, while industriously calling off and checking items and details, the foot-prints of fraud could be entirely covered up. Indeed, he might in this way handle the very item which covers or omits fraudulent transactions. He would be so taken up with the mechanical part of his work that he would never discover anything.

ASSISTANCE FROM OFFICIALS.

An auditor who can not audit without the assistance of the secretary is not the man for the place. It is not an uncommon occurrence to see a secretary busily engaged in assisting an auditor by reading out from pencil memoranda in his ledger the amounts which are to be checked in the pass-books, and then these pencil figures on the ledger are erased before the ledger is presented to the auditor for other purposes. An auditor who must be assisted is one to be avoided.

After the books have been placed in his hands and explanations have been made of the system which is followed, and matters have thus been formally turned over to him, an auditor should take full charge and set about his work without the presence of any of the

officials unless he shall summon them to answer questions, or to make necessary explanations. If he finds new features in book-keeping in vogue with which he is not familiar he should frankly say so, and ask questions freely until he understands the system. He can not make his audit without having this knowledge, and it is due to the officials, to the shareholders whose interest he represents, and to himself, that he secure the information. This having been secured, he is then able to understand everything clearly, and to report upon it correctly, and should proceed to do his own work in his own way.

CHANGE OF AUDITORS.

It may be desirable, as a precaution, or for other reasons, to make a change of auditors from time to time; but no change should be made for the mere sake of a change. An auditor who has once gone over the accounts of an association has acquired a familiarity with them, that is to say a special knowledge of them, which would be valuable to him in making a second audit. If he is efficient and satisfactory, and there is no special reason for making a change, it will be desirable to continue him in the position. If the books are audited by a committee it will be easy to keep an old hand in the lead with new assistants from time to time. There is often a risk in placing the matter of auditing in new hands from the fact that it may not be possible to know with certainty that the new hands are competent ones. On this account it is better never, if it can be avoided, to place an audit in wholly untried hands. There may be natural incapacity, or a lack of training, which will make the work unreliable and unsatisfactory.

COMPENSATION OF AUDITORS.

There is no more important work to be done for an association than the auditor's. In order that it may be done properly the very best talent available should be obtained for it. It is very poor policy for shareholders to seek the cheapest auditors. One employed for this purpose should be made to feel that he is well paid for his services. Being free and satisfied on this score, he is thereby inspired to more faithful service than he might otherwise render. It is especially unfair for shareholders to expect any of their fellow-members to give their expert knowledge and their time to this painstaking and laborious work without fair remuneration. In estimating the value of an auditor's service it is not so much the amount of time that he gives to it that should be considered,—although this should not be ignored,—as the fact that his work is in the nature of professional services, and should be paid for according to its professional value.



CHAPTER XV.

AUDITING: ITS METHODS.

UNIFORMITY IMPOSSIBLE.

In the preceding chapter the subject of auditing has been discussed in reference to its general principles and features. But, in order that the suggestions of this work may be made of as much practical value as possible, it is necessary to indicate, as far as may be, how these principles are to be applied in practice. Every one will understand that it is impossible to lay down a set of specific rules which will apply in all cases. It is only the application of the principles of auditing in a general way that can be pointed out here. These must be adapted to circumstances as they may be found to exist wherever they come to be specifically applied. Even in any one particular association, circumstances differ from time to time as new contingencies arise. Consequently there must be more or less variation in the application of any set of rules. While the rules and suggestions which follow are given in outline, the endeavor has been made to make them sufficiently comprehensive to cover almost any set of circumstances that may arise in the practical operations of an association.

CARE OF BOOKS.

An auditor should notice whether or not the books of an association are well cared for. He should see where they are kept and how they are handled, should notice whether or not they are in good condition, and are clean. He, himself, in turn should handle them carefully, keeping them neat and clean, and placing upon them only the necessary check marks, and should make these as small and as neat as possible. Auditors will find that books which are neat and clean in appearance, in which the entries are tastefully made, balances properly ruled off, etc., will as a rule contain accounts that are correctly kept. Where the condition of the books is such as to indicate carelessness in their handling, an auditor may well expect to find carelessness in the accounts themselves, for, careless in one thing careless in all things, may be expected to be the rule. If the secretary or other officer is neglectful of his duties, or has erasures and finger-marks all through his books, he is likely to have errors, both of omission and commission, in his entries.

SPECIAL HINTS.

A list of the books in use having been furnished to the auditor he should make it his first business to see that it is complete, and that all the books named in it are in his hands. He should next turn his attention to the general features and conditions of the books themselves. He should see whether they constitute a perfect system without any break, that is, whether the books are like the different parts of a machine, each wheel fitting properly into the others, and no wheel absent. He should examine each book and note all

the particulars concerning it. For instance, he should see if the books are machine-paged, since this is one of the most efficient safeguards against tampering, such as cutting out or pasting together of leaves, and so on, and is a most important feature in the tracing of entries. All books which in any way have connection with financial transactions in the receipt or expenditure of money should be numbered in consecutive pages by a machine. They should begin with page 1, and should continue in regular numerical order. It sometimes happens that books become very large, and the page numbers become too large for convenience in practical work. Various expedients may be resorted to in such cases. The first series of pages may run up to 1000. Then a new series may begin which will be called A, as A 1, A 2, A 3, and so on, while a third series may be B 1, B 2, B 3, and so on.

Attention should be given next to the clerical work in the books to see whether all entries have been made, whether they are clear and legible, and whether the extensions and footings have been carried out. If omissions are discovered the attention of the officers should be called to them, and the officers themselves should fill them up. If entries are found which are not in due form, but are in the nature of memoranda, this should be noted, and, if necessary, the officials should be called upon to complete their work. If any entries are made in pencil, or footings appear in pencil, the pencil work should not be accepted, because, after the audit is completed, such entries could be easily changed. The original rulings of the books, and also all rulings made in the course of the accounts should be noted. If these rulings do not fulfill their purpose

clearly the fact should be noted and the matter should be properly cleared up.

These preliminary matters having been noted, the auditor should next turn his attention to the particular accounts. He should first notice the method, or *modus operandi*, upon which the accounts are kept. He then should test the different accounts by taking certain items and tracing them from book to book so as to obtain a clear knowledge of the process by which the accounts are made up.

As the auditor proceeds with his work various incidental matters will continually arise to claim his attention. He must be prepared by intelligence and experience to look out for these himself. They can not be specifically scheduled. A few such matters may be mentioned particularly by way of suggestion:

He should see that no dividends have been declared out of the capital, or out of earnings which have not yet been realized.

He should see whether or not any capital has been invested in securities that are illegal or improper, and false assets shown in this way.

He should inquire as to whether the constitution and the rules have been followed in all matters relating to the accounts, and, if the directors are empowered with authority to use their discretion in any official transactions, whether or not their resolutions and instructions have been carried out to the letter.

He should see that rebates in interest are allowed correctly, and all incidental items are properly entered and considered.

He should examine carefully the profit and loss account, inspecting and verifying each item. He

should see, for instance, that any provision in the rules permitting allowance for depreciation in the value of fixtures, stationery, etc., has been followed, and that such entries are properly made.

Every auditor should have a system of check marks of his own. These should be made with ink or an ink pencil. They may be in different colors and in different forms as he may find necessary for the perfection of his work. By putting his proper check on each item as he passes upon it he will not fall into confusion, and each item will tell its own story as soon as he looks at it. He will also know in this way when his work is completed, and his check marks will remain for the information and guidance of himself or others in making future audits.

FALSE ACCOUNTS.

It is the auditor's business to detect mistakes and misrepresentations. Mistakes occur through inefficiency or carelessness. Misrepresentations arise from an intention to deceive. Mistakes may be rectified; misrepresentations must be exposed. In case therefore, the secretary or the board of directors have intentionally prepared and submitted a false statement, the auditor may have a more or less unpleasant and sometimes difficult task before him. If he is efficient, he will soon be able to detect the fact that the account is incorrect. If it has been made so intentionally, he will soon discover this also. Being properly put upon his guard by his discovery, he will need to summon all his tact and firmness, and settle down to a faithful and thorough investigation. He must now prepare himself not only to point out the errors in the account,

but also to expose the purpose and method of the errors. It will always be well for an auditor under such circumstances to be cool, deliberate, and close-mouthed. He should not be hasty to betray his suspicions. There should be nothing in his manner, or speech, or actions, to indicate that suspicions have been aroused, until the proper time comes for him to take decisive action. He should fortify himself with all the evidence available, so that his position may be impregnable, and that, when exposure comes, it may be thorough and complete, and the guilty officials may be brought to such punishment or restitution as may be due.

ERRORS OF OMISSION.

It is difficult to lay down any rule by which errors of this kind can be detected with absolute certainty. Every thing will depend upon the intelligence, the experience, and the determination of the auditor. An audit may be thorough and correct as far as direct cash transactions are concerned, but may be incomplete in the statement of assets and liabilities. To guard against errors of omission in any part of the accounts, each item should be checked as far as possible from original entries or sources in order to see that the association has been charged with all cash received and liabilities incurred. The same course must be pursued on the other hand with reference to all cash expenditures and to all credits. It sometimes happens that the affairs of associations become complicated and the interests of stockholders seriously endangered without warning, because officials have been careless in their accounts in these respects, and auditors have

been incompetent or negligent. It should always be borne in mind that an auditor is one who audits, and if he fails in any particular then he is not entitled to the official name which he bears.

GENERAL OUTLINE.

The accompanying diagram illustrates the posting of different items from book to book until each reaches its final account. In this graphic way the entire system of building association accounts is illustrated at a glance. Since an auditor must follow these postings the diagram will be valuable as a guide.

1. Check all extensions and footings in the original books.

2. Compare each entry in No. 1, Members' Pass Book, with No. 2, Contribution Book, and No. 4, Members' Ledger.

3. Compare each entry in No. 3, Withdrawal Book, with No. 4, Members' Ledger.

4. Compare each entry in No. 2, Contribution Book, with No. 4, Members' Ledger.

5. Compare each entry in No. 2, Contribution Book, and No. 3, Withdrawal Book, with No. 5, Cash Book.

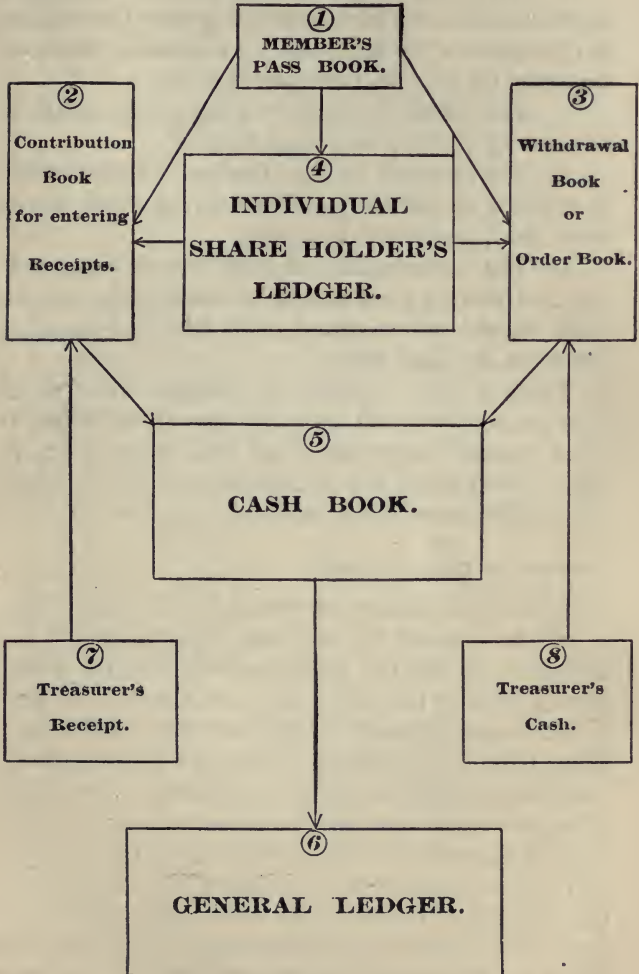
6. Compare No. 7, Treasurer's Receipt Book, with No. 2, Contribution Book, and also with No. 8, Treasurer's Cash Book, and with No. 3, Withdrawal Book.

7. Compare totals of No. 5, Cash Book, with totals in No. 6, General Ledger.

SHARE CONTRIBUTIONS.

A few suggestions may be made as to the proper method of checking up the dues paid in by the shareholders:

DIAGRAM 1.



1. The members' pass-books should be examined, to see that each has been issued only after the member has complied with the rules for admission, whatever they may be, paid all necessary fees, etc.

2. Pass-book entries of dues, fines, etc., should be checked up as to amounts and dates.

3. The accounts in the Members' Ledger should be checked against the pass-book entries to see that all items have been properly posted.

4. The contributions of each deposit account in the Contribution Book should be added across, and the totals should be compared with the corresponding entries in the Cash Book.

There is such a variety of methods under which dues are received and recorded that it is difficult to make specific suggestions that will cover all cases. What is said above will be sufficient to put an intelligent auditor upon the right track.

PROVING OF CASH BALANCE.

The Cash Balance as shown in the Cash Book, should be verified by the cash being produced and counted. In case the audit does not take place until some time after the end of the term, the cash on hand at the date of the audit should be counted, and a statement should be prepared, showing receipts and expenditures since the close of the term. By having arrangements for the audit prepared previous to the close of the term this last expedient will not be necessary, and an element of uncertainty will be removed, for, of course, if any fraud were being planned, it would be possible to manipulate the cash account, after the close of the term and previous to the date of audit, so as to show a false balance when the term closed.

SECRETARY'S CONTRIBUTION BOOK.

This diagram shows a form for rulings, entries, footings, and postings, for what is called 3-week Contribution Book. The weekly deposits are entered in their proper columns, and then footed across at the end of each 13 weeks or quarter, and are then posted.

	Fines.									
	Prem.									
	Int.									
	Dues.									
	Fines.									
	Prem.									
	Int.									
	Dues.									
	Fines.									
	Prem.									
	Int.									
	Dues.									
	Fines.									
	Prem.									
	Int.									
	Dues.									
	Fines.									
	Prem.									
	Int.									
	Dues.									
	Fines.									
	Prem.									
	Int.									
	Dues.									
Book										
Adm. & Trans.										
Week										
Shares										
	Fines.									
	Prem.									
	Int.									
	Dues.									
	TOTAL.									
	GRAND TOTAL.									

The first column is the left-hand page of this book, the second the right-hand page.

MONTHLY SECRETARY'S BOOK.

This diagram shows a form for rulings, entries, footings, and postings, for what is called 12-month Contribution Book. In this form dues are paid monthly instead of weekly, and at the end of the year are footed across in each account and then posted.

NAME.	Fines.	GRAND TOTAL.					
	Prem.						
	Int.						
	Dues.						
	Fines.		TOTAL.	Fines.
	Prem.			Prem.
	Int.			Int.
	Dues.			Dues.
	Fines.			Fines.
	Prem.			Prem.
Int.	..	..	..		Int.	..	..	..
Dues.	..	..	..		Dues.	..	..	..
Fines.	..	..	..		Fines.	..	..	..
Prem.	..	..	..		Prem.	..	..	..
Int.	..	..	..		Int.	..	..	..
Dues.	..	..	..		Dues.	..	..	..
Book	..	..	..		Fines.	..	..	..
Adm. & Trans.	..	..	..		Prem.	..	..	..
Shares	..	..	..		Int.	..	..	..
					Dues.	..	..	..

The first column is the left-hand page of this book, the second the right-hand page.

SECRETARY'S CASH BOOK.

An association must have some way of bringing all its accounts together, so that they may be properly summarized and balanced. This is done through the Cash Book, sometimes called the Itemized Cash Book, or Secretary's Cash Book.

The rule of debit what you receive and credit what you pay out, holds good with cash only; whereas in all other transactions the reverse is true. The bulk receipts are entered in their respective columns of the Cash Book, debiting cash, while the disbursements are entered in their respective columns, crediting cash.

The method of checking the Cash Book is illustrated in the diagram on the following page.

TREASURER'S CASH BOOK.

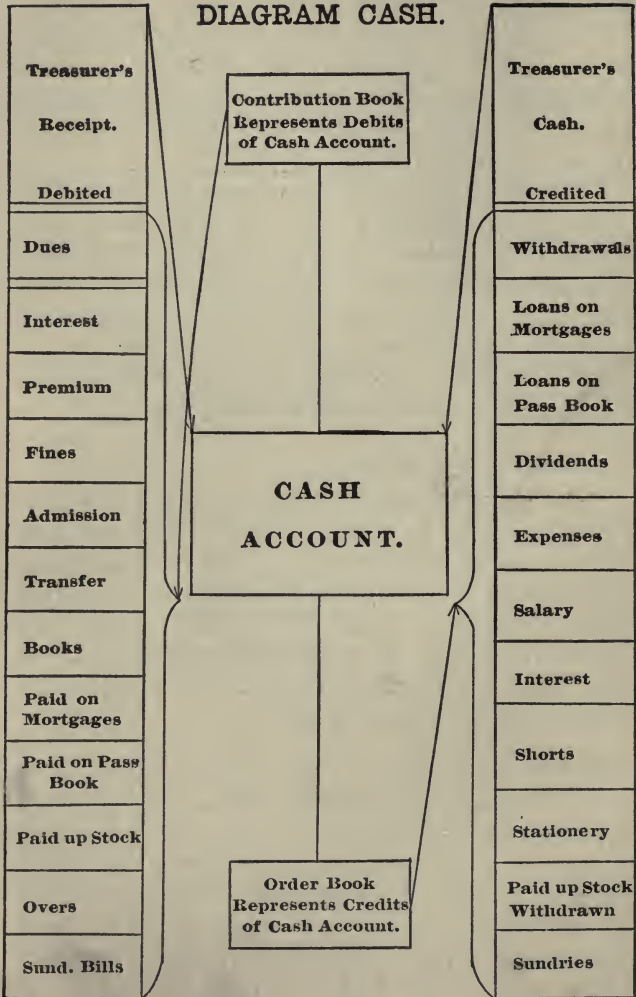
The treasurer keeps this book for his own convenience. In it he enters the gross receipts of each meeting and all disbursements. If kept posted properly it shows at all times the exact amount of cash on hand. This book should be checked against the Treasurer's Receipt Book, the Warrant Book, and the Bank Book, an appropriate check sign being placed opposite the last entries in each.

MEMBERS' LEDGER.

In checking this book attention must be given to the following points:

1. The account of each shareholder in the Ledger must be checked by comparison with the entries in his Pass Book. A sign indicating that this has been done should be placed against the Ledger entries, and also opposite the last Pass Book entry.

DIAGRAM CASH.



2. Items posted from the Contribution Book should be checked by amount, date, and folio, and another appropriate check sign should be placed against the last entries.

3. Withdrawal items should be checked against the Members' Pass Book, Contribution Book, and Warrant Book.

4. The Dividend account must be examined to see that all dividends due to each member have been properly credited, and, if drawn, the items must be checked against the Warrant Book.

5. All miscellaneous items, such as assessments, rebates, and every thing of that character, must be checked carefully against original entries.

WITHDRAWALS.

Auditors should see that the files contain properly signed vouchers from withdrawing members, showing the exact amount which has been received. The signatures to these vouchers should be compared with those entered in the Constitution Signature Book, if such a Book is kept; if not, he must verify the signature to his own satisfaction in some other way.

In checking up withdrawals, he should note,—

1. That applications for money have been entered in the Withdrawal Book in regular chronological order, and that they have been acted upon in this order by the Directors.

2. That all warrants for the payment of withdrawals correspond with the dates and amounts in Cash Book.

3. That partial withdrawals are properly noted in the Member's Pass Book; and, if the withdrawal is

complete and absolute, that the Pass Book has been surrendered, and the fact of withdrawal entered therein.

4. That amounts paid out on withdrawal have been charged against their proper accounts in the Members' Ledger.

GENERAL LEDGER.

This is a very important book in connection with the accounts of the association. In it are summarized the details of all the other books. By it the correctness of all the other accounts is to be finally tested. From it the Balance Sheet is made up. It tests the actual condition of the association's business, indicating the assets and the liabilities, the profits and the losses. As implied in its name, the accounts of this Ledger are the opposite of the individual accounts in the Members' Ledger. Herein is applied the double entry principle in book-keeping. Every debit must have a credit, and *vice versa*.

The old system of journalizing is now generally discarded, since it involves a great deal of unnecessary labor. Under the later methods each item is entered immediately to its appropriate account, or is posted from the books of original entry, without passing through the Journal.

Building association accounts differ from mercantile accounts in that the transactions are wholly financial, and are uniform. This makes possible more simple methods of book-keeping in certain respects, though the accounts are very intricate on account of the character and multiplicity of the items. But the same principle of debit and credit must still lie at the foundation of the system, and the ultimate result of

book-keeping must show the total assets and liabilities, and the profits and losses correctly. If the summarized items under these heads fail to balance, then there is something wrong with the accounts.

The general accounts necessary usually are the following, and as a rule they will appear in the Trial Balance as indicated :

(Usually Cr.)	(Usually Dr.)
PASS BOOKS,	EXPENSE,
DUES,	SALARIES,
FINES,	RENTS,
PREMIUMS,	INSURANCE,
INTEREST,	DIVIDENDS,
ADMISSIONS,	SHORTAGES,
TRANSFERS,	INTEREST.
OVERS,	
RENTS,	
DIVIDENDS,	
SURPLUS.	

ASSETS AND LIABILITIES.

The assets and liabilities may have some such classification as follows :

ASSETS.	LIABILITIES.
Cash on hand,	Running stock and dividends,
Loans on mortgage security,	Paid-up stock and dividends,
Loans on stock security,	Deposits and interest,
Furniture and fixtures,	Fund for contingent losses,
Real estate,	Borrowed money,
Due for insurance and taxes,	Undivided profits,
Other assets, in detail.	Other liabilities, in detail.

The schedule must be sufficiently comprehensive in its details to include every thing, and the audit must be so conducted as to trace every item into this schedule so that each summary may be fully verified.

The amount by which the assets may exceed the liabilities is usually called the Reserve Fund.

The amount by which the liabilities may exceed the assets is usually called Shortage or Deficiency.

AUDITOR'S REPORT ON SPECIAL MATTERS.

Where every thing is found correct and in good form the auditor's regular certificate is usually about all that he need file in the way of a report. In some cases, although he may sign the regular certificate, there may be some matters to which he may deem it necessary to call the attention of the shareholders. In deciding as to whether or not he should make any report on such special matters, or should make any incidental suggestions, he must be guided by what may seem to him to be necessary for the welfare of the association. A few illustrations may be suggestive:

The auditor may differ with the secretary or the directors upon some matter which may be of importance to the interests of the association. If so, he should state the matter plainly so that it may be clearly understood, being careful, however, not to be too elaborate and therefore tedious, and should give illustrations when possible.

He might find that the secretary or other officer was underpaid or overworked, and might think it better for the association if this were corrected.

He might discover that the officers were not afforded proper facilities for transacting the association's business and that its interests were in consequence crippled or jeopardized, and could make some recommendation.

He might find that the system for filing and caring

for mortgages, insurance policies, notes, and other papers, was not a good or safe one.

Many other such incidental matters might claim his attention.

In making special reports on any miscellaneous matters an auditor should act deliberately. He should be careful not to do any thing which might be used to the disadvantage of the association or its officers by some disgruntled or unwise member, or some officious or antagonistic outsider.

In any case where he finds that the accounts and records are grossly inaccurate and incomplete, either through carelessness, incompetency, or a purpose to deceive on the part of the officers, his duty is plain. He must not only withhold his certificate but must report facts as he finds them to the association.

AUDITOR'S CERTIFICATE.

When the Auditor has completed his task, if he has found every thing correct, he should prepare and sign a certificate in some such form as follows :

TO THE SHAREHOLDERS OF THE.....
BUILDING AND LOAN COMPANY.

I have carefully examined the books, vouchers, cash, and accounts of your Association, and find the same to correspond with the Balance Sheet as presented under date of I also find the present condition of the Association to be correctly presented in said Balance Sheet.

Respectfully,

....., Auditor.

SAFETY INSURED.

The suggestions here made are sufficient to put an inexperienced auditor on his guard, and also to indicate to members something of what is involved in an audit, and to show the character of person that should be appointed as auditor.

If auditing were always faithful and efficient it would save much trouble, anxiety, and loss to members. Even if the account is correct, or if there are unintentional errors in it, it is only regular and competent auditing that will insure permanent confidence in the association on the part of members and of the public. There always are apt to be a few members at least, and not a few outsiders, who look upon an association with more or less distrust. If such as these see that the affairs of an association are regularly and systematically investigated, then their confidence sooner or later becomes established. Under such a system officials would soon learn that it was impossible to secure the auditor's certificate to unreliable and incorrect accounts and statements, and shareholders would understand that the practice of any fraud upon them would be impossible.

By the adoption of some such system of auditing as is here presented, shareholders make such provisions and take such precautions as will render mistakes well-nigh impossible. They have delegated authority to two representative bodies, each of which acts as a check upon the other. The board of directors is an administrative body; the auditor or auditors constitute a supervising and reviewing department.

The directors and secretary are compelled to be watchful, for they know all their work will be under critical review.

The auditor must prove himself competent and do his work faithfully, or his inefficiency will be apparent in the course of time.

STATE SUPERVISION.

So many citizens are entrusting their earnings to the care of building associations, and the aggregate capital they accumulate has become so large, that some form of civil supervision has become a necessity. Some extreme theorists have even argued that this is a subject for national control, and point to the national banks as presenting a system somewhat analogous to that of the associations. But at the present time, at any rate, it is useless to speak of federal supervision of building associations. If they come under any kind of governmental supervision at all, it must be from the various states.

Some states have already provided for the supervision of associations. The "Co-operative Savings Fund and Loan Associations" of Massachusetts are supervised under the most stringent laws. In Ohio, the Insurance Commissioner has been made Supervisor of Building Associations, and the subject is assigned to a separate bureau in his department under the care of a special deputy. In Minnesota, and a number of other states, building association bureaus have been established as departments in the offices of the commissioners of banking, insurance, etc. Owing to the formative character of legislation on this subject it is not possible to present a comprehensive summary at this time. It seems safe to say that the day is not far distant when separate departments of building association inspection must be established in all those states where these societies are now so rapidly multiplying.

But state supervision, so far as it has yet been developed, does not remove the necessity for private auditing. Indeed, it enforces this necessity, and this is its object. The state supervisor does not take the place of the regular auditor. He makes no actual inspection of the accounts and affairs of an association except in emergencies. The time may come,—as perhaps it ought,—when it will be made the duty of the state officials to make personal examination of the business of associations, not alone at regular stated periods, but at irregular and unexpected times. When this shall come to pass we may expect to see the end of such careless and unbusiness-like methods as are now sometimes witnessed, and to hear no more of shortages and defalcations.



CHAPTER XVI.

DIVIDEND AND INTEREST TABLES.

CALCULATION OF DIVIDENDS AND INTEREST.

There is great necessity for the utmost care in the calculation and declaration of dividends. It has happened in experience that associations have become greatly embarrassed on account of carelessness or incompetency in this connection. A secretary, too anxious to make a good showing for his association, may become a little too liberal in his estimate of profits. Directors, being sometimes careless in the discharge of their duties, accept the secretary's estimate and declare dividends accordingly. The association runs along smoothly enough for two or three terms, and then unexpectedly begins to find itself embarrassed. Investigation shows that this has resulted from the over-estimate of profits, and the declaration of too liberal dividends. If such a mistake is discovered early enough it may not be serious in its consequences. It will only be necessary to run a term or two without dividends, or with greatly reduced dividends, until the association recovers itself. But such a situation is awkward, to say the least, and prejudicial to the good name of the association and its officers. Therefore such an error should be guarded against most carefully.

The calculation of dividends and interest generally constitutes a heavy task for the secretary. It is unfortunate that there is not more uniformity in the methods followed by different associations. If dividends were always declared according to the same plan, and interest were always calculated upon the same basis, it would be easy to arrange uniform systems which all officers could follow. This would not only greatly decrease the amount of labor in this connection, but would obviate the constant liability to error in making numerous intricate calculations.

A large number of dividend and interest tables have been prepared. Several of these tables, which are in more general use and have given good satisfaction, are printed herewith. They will be very valuable for use in those associations following the same plans upon which the tables are based. They will be valuable for reference to officers and members of all associations.

APPLICATION OF PROFITS.

The profits of an association should be applied as follows:

1. To the payment of the expenses.
2. Such portions as may be determined semi-annually or annually by the board of directors should be set aside as a reserve fund for the payment of contingent losses.
3. The residue should be apportioned among the members in proportion to their average investments.

ILLUSTRATION.

The following figures are taken from the books of a small association that had been running for one year:

Dues withdrawn of 1st-half year's dues.....\$2,393.00
 " " of 2d " " 1,330.00
 At end of *first* half year....\$5,678.00=Dues account.
 Withdrawn of 1st ½ year's
 dues..... 2,393.00

Balance.....\$3,285.00 Am't in for full ½ year.

At end of 2d half year:

Dues paid in for the
 current term....\$7,433.00*

Withdrawn during
 2d half year..... 1,330.00

Balance\$6,103.00

Which divided by 2
 for average, equals.....\$3,051.50 Average amount paid dues
 in full for 2d half year.

\$6,336.50 Full amount on which divi-
 dends are to be declared.

The profits of the association from which the aforesaid abstract was made, had been \$250.07; one per cent. of the full amount on which dividends are to be declared equals \$63.36, which divided into \$250.07 indicates that the association may declare a 4 per cent. semi-annual dividend. This being calculated and distributed among the members amounted to \$224.80. Profits, \$250.07, less dividends, \$224.80, leaves balance, \$25.27, which is transferred to the Reserve Fund.

In order that a secretary can get at this method of finding the principal the following form will be found useful:

Number.	Balance on last half year.	Withdrawn during current half year.	Paid during current half year.	Withdrawn of dues paid during half year.	Balance	Week.	Rate of Dividend.	Am't of Divl.
.....
.....

* The proper method is first to average dues paid in and then to deduct dues withdrawn.

SYSTEM I.

TABLES.

The following tables and explanation are furnished by Mr. W. L. Davis and verified by Mr. Chas. H. Stewart.

EXPLANATION.

Example of the First Semi-annual Dividend: A has one share, \$1.00 weekly dues. He has paid for six months, or twenty-six weeks. The dividend declared is eight per cent. (semi-annual). What is A's portion?

Turn to the 8 per cent. tables (page 207). Opposite 26, the number of weeks A has paid \$1.00, you find \$1.08, which is the amount of \$26.00 at 8 per cent. for twenty-six weeks upon the usual computation of averages, or, in other words, the proportion of dividend declared which is due A.

Example of the second and all subsequent dividends: B has three shares (of \$1.00 per share dues). He has paid \$402.00. The dividend declared is five per cent. (semi-annual.) What is B's portion?

Subtract from \$402.00, the amount he has paid since the last dividend, \$3.00 per share for twenty-six weeks, or \$78.00. Find 5 per cent. of the difference, \$324.00; which is \$16.20, or dividend upon \$324.00. Now turn to the five per cent. tables (page 204). Opposite 26, the number of weeks B has paid \$3.00 since the last settlement, you find \$2.025 in the three-share column, which is the amount of dividend on \$78.00; now add \$2.025 to \$16.20. The result, \$18.225, is the amount of dividend due B on \$402.00.

Shares, \$500.—Dues, \$1.00 per week.

TWO PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2					.012
3		.010	.013	.020	.023
4		.015	.023	.030	.040
5	.011	.023	.035	.046	.060
6	.016	.032	.048	.065	.081
7	.021	.043	.065	.086	.110
8	.027	.055	.083	.110	.140
9	.034	.069	.104	.138	.173
10	.042	.084	.128	.169	.212
11	.050	.101	.148	.203	.254
12	.060	.120	.180	.240	.300
13	.070	.140	.210	.280	.350
14	.080	.161	.242	.323	.404
15	.092	.185	.277	.370	.462
16	.104	.209	.314	.420	.523
17	.117	.235	.353	.470	.590
18	.131	.263	.395	.526	.660
19	.146	.292	.438	.585	.731
20	.161	.323	.485	.646	.810
21	.177	.355	.533	.710	.890
22	.194	.390	.584	.780	.973
23	.212	.424	.636	.850	1.061
24	.230	.461	.692	.923	1.154
25	.250	.500	.750	1.000	1.250
26	.270	.540	.810	1.080	1.350

Shares, \$500.—Dues, \$1.00 per week.

THREE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2			.011	.014	.020
3		.014	.020	.027	.034
4	.011	.023	.034	.045	.057
5	.017	.035	.052	.070	.087
6	.024	.048	.073	.097	.121
7	.032	.065	.097	.130	.162
8	.041	.083	.124	.165	.207
9	.051	.104	.155	.207	.259
10	.063	.127	.192	.254	.318
11	.076	.152	.222	.305	.381
12	.090	.180	.270	.360	.450
13	.105	.210	.315	.420	.525
14	.121	.242	.364	.485	.606
15	.138	.277	.415	.554	.693
16	.157	.314	.470	.627	.784
17	.176	.353	.529	.705	.882
18	.197	.395	.592	.790	.987
19	.219	.438	.658	.877	1.096
20	.242	.485	.727	.970	1.212
21	.266	.533	.799	1.065	1.332
22	.292	.584	.875	1.167	1.459
23	.318	.636	.955	1.273	1.591
24	.345	.692	1.040	1.385	1.721
25	.375	.750	1.125	1.500	1.875
26	.410	.810	1.215	1.620	2.025

Shares, \$500.—Dues, \$1.00 per week.

FOUR PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2		.010	.014	.020	.024
3		.018	.027	.037	.046
4	.015	.031	.045	.061	.076
5	.023	.046	.069	.093	.116
6	.032	.065	.097	.130	.162
7	.043	.086	.129	.173	.216
8	.055	.110	.165	.221	.276
9	.069	.140	.207	.277	.346
10	.085	.169	.255	.340	.424
11	.101	.203	.305	.406	.510
12	.120	.240	.360	.480	.600
13	.122	.280	.420	.560	.700
14	.161	.323	.485	.646	.810
15	.185	.370	.554	.740	.924
16	.209	.420	.627	.837	1.046
17	.235	.470	.705	.940	1.176
18	.263	.526	.790	1.053	1.316
19	.292	.585	.877	1.170	1.462
20	.323	.646	.970	1.293	1.616
21	.355	.710	1.065	1.421	1.776
22	.389	.780	1.167	1.557	1.946
23	.424	.850	1.273	1.697	2.122
24	.460	.923	1.384	1.846	2.310
25	.500	1.000	1.500	2.000	2.500
26	.540	1.080	1.620	2.160	2.700

Shares, \$500.—Dues, \$1.00 per week.

FIVE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					.010
2		.012	.020	.024	.030
3	.011	.023	.034	.046	.057
4	.020	.039	.057	.076	.095
5	.029	.058	.087	.116	.145
6	.040	.081	.121	.162	.202
7	.054	.108	.162	.215	.270
8	.069	.140	.207	.276	.345
9	.086	.173	.260	.346	.432
10	.106	.212	.320	.424	.530
11	.127	.254	.381	.510	.635
12	.150	.300	.450	.600	.750
13	.175	.350	.525	.700	.875
14	.202	.404	.606	.810	1.010
15	.231	.462	.693	.924	1.155
16	.261	.523	.784	1.046	1.307
17	.294	.590	.882	1.176	1.470
18	.329	.660	.987	1.316	1.645
19	.365	.731	1.096	1.462	1.827
20	.404	.810	1.212	1.616	2.020
21	.444	.890	1.332	1.776	2.220
22	.486	.973	1.460	1.946	2.432
23	.530	1.061	1.591	2.122	2.652
24	.577	1.154	1.731	2.310	2.885
25	.625	1.250	1.875	2.500	3.125
26	.675	1.350	2.025	2.700	3.375

Shares, \$500.—Dues, \$1.00 per week.

SIX PER CENT TABLES.

NO. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					.012
2		.014	.021	.030	.036
3	.014	.028	.041	.055	.070
4	.023	.047	.068	.091	.114
5	.035	.065	.104	.140	.174
6	.048	.097	.146	.194	.243
7	.065	.129	.194	.260	.324
8	.083	.165	.248	.331	.414
9	.104	.207	.311	.415	.520
10	.127	.254	.383	.510	.636
11	.152	.305	.457	.610	.762
12	.180	.360	.540	.720	.900
13	.210	.420	.630	.840	1.050
14	.242	.485	.727	.970	1.212
15	.277	.554	.830	1.110	1.386
16	.314	.627	.941	1.255	1.570
17	.353	.705	1.058	1.411	1.764
18	.395	.789	1.184	1.580	1.974
19	.438	.877	1.316	1.754	2.193
20	.485	.970	1.454	1.940	2.424
21	.533	1.065	1.598	2.131	2.664
22	.584	1.167	1.800	2.335	2.920
23	.636	1.273	1.910	2.546	3.183
24	.692	1.385	2.077	2.770	3.462
25	.750	1.500	2.250	3.000	3.750
26	.810	1.620	2.430	3.240	4.050

Shares, \$500.—Dues, \$1.00 per week.

SEVEN PER CENT TABLES.

NO. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1			.010	.011	.014
2		.017	.025	.033	.042
3	.016	.032	.048	.064	.080
4	.026	.054	.080	.106	.133
5	.040	.081	.122	.162	.203
6	.056	.113	.170	.227	.283
7	.075	.151	.227	.302	.380
8	.096	.193	.289	.386	.483
9	.121	.242	.363	.484	.605
10	.148	.297	.447	.593	.742
11	.178	.355	.533	.711	.890
12	.210	.420	.630	.840	1.050
13	.245	.490	.735	.960	1.225
14	.283	.565	.850	1.151	1.414
15	.323	.647	.970	1.293	1.617
16	.366	.732	1.098	1.464	1.830
17	.411	.823	1.235	1.646	2.060
18	.460	.921	1.381	1.842	2.303
19	.512	1.023	1.535	2.047	2.560
20	.565	1.131	1.697	2.262	2.830
21	.621	1.243	1.864	2.486	3.110
22	.681	1.362	2.043	2.724	3.405
23	.736	1.485	2.230	2.971	3.713
24	.808	1.615	2.423	3.231	4.040
25	.875	1.750	2.625	3.500	4.375
26	.945	1.890	2.835	3.780	4.725

Shares, \$500.—Dues, \$1.00 per week.

EIGHT PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1			.010	.013	.016
2		.020	.029	.040	.050
3	.018	.037	.055	.073	.092
4	.030	.062	.091	.121	.152
5	.046	.093	.140	.185	.232
6	.065	.129	.194	.260	.324
7	.086	.173	.260	.345	.432
8	.110	.221	.331	.441	.552
9	.138	.277	.415	.553	.692
10	.169	.340	.511	.680	.850
11	.203	.406	.610	.813	1.016
12	.240	.480	.720	.960	1.200
13	.280	.560	.840	1.120	1.400
14	.323	.646	.970	1.293	1.616
15	.369	.740	1.108	1.478	1.850
16	.418	.837	1.255	1.673	2.092
17	.470	.941	1.411	1.881	2.352
18	.526	1.053	1.580	2.105	2.632
19	.585	1.170	1.754	2.340	2.924
20	.646	1.293	1.940	2.585	3.232
21	.710	1.421	2.131	2.841	3.552
22	.778	1.557	2.335	3.113	3.892
23	.856	1.697	2.546	3.395	4.244
24	.923	1.846	2.770	3.693	4.616
25	1.000	2.000	3.000	4.000	5.000
26	1.080	2.160	3.240	4.320	5.400

Shares, \$500.—Dues, \$1.00 per week.

NINE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1			.010	.014	.020
2	.010	.021	.032	.043	.054
3	.020	.041	.062	.083	.103
4	.034	.070	.102	.137	.171
5	.052	.104	.156	.209	.261
6	.073	.146	.218	.291	.364
7	.097	.194	.291	.389	.486
8	.124	.248	.372	.497	.621
9	.155	.311	.467	.623	.780
10	.191	.381	.575	.763	.954
11	.228	.457	.686	.914	1.143
12	.270	.540	.810	1.080	1.350
13	.315	.630	.945	1.260	1.575
14	.363	.727	1.090	1.454	1.820
15	.416	.831	1.247	1.663	2.080
16	.471	.941	1.412	1.883	2.353
17	.529	1.060	1.587	2.117	2.646
18	.592	1.184	1.776	2.370	2.961
19	.658	1.316	1.973	2.631	3.290
20	.727	1.454	2.181	2.909	3.636
21	.799	1.600	2.397	3.197	3.996
22	.876	1.751	2.627	3.503	4.380
23	.955	1.910	2.864	3.820	4.770
24	1.038	2.077	3.116	4.154	5.193
25	1.125	2.250	3.375	4.500	5.625
26	1.215	2.430	3.645	4.860	6.075

Shares, \$500.—Dues, \$1.00 per week.

TEN PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1		.010	.012	.016	.020
2	.012	.024	.036	.050	.060
3	.023	.046	.070	.092	.115
4	.040	.078	.114	.152	.190
5	.060	.116	.174	.232	.290
6	.081	.162	.243	.324	.405
7	.108	.216	.324	.432	.540
8	.138	.276	.414	.552	.690
9	.173	.346	.520	.692	.865
10	.212	.424	.640	.850	1.060
11	.254	.510	.762	1.016	1.270
12	.300	.600	.900	1.200	1.500
13	.350	.700	1.050	1.400	1.750
14	.404	.810	1.212	1.616	2.020
15	.462	.924	1.386	1.850	2.310
16	.523	1.046	1.569	2.092	2.615
17	.590	1.176	1.764	2.352	2.940
18	.660	1.316	1.974	2.632	3.290
19	.731	1.462	2.193	2.924	3.655
20	.810	1.616	2.424	3.232	4.040
21	.890	1.776	2.664	3.552	4.440
22	.973	1.946	2.919	3.892	4.865
23	1.061	2.122	3.183	4.244	5.305
24	1.154	2.308	3.462	4.616	5.770
25	1.250	2.500	3.750	5.000	6.250
26	1.350	2.700	4.050	5.400	6.750

Shares, \$500.—Dues, \$1.00 per week.

ELEVEN PER CENT TABLES.

NO. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1		.010	.013	.020	.022
2	.013	.026	.040	.053	.066
3	.025	.050	.076	.101	.126
4	.042	.086	.125	.167	.210
5	.064	.127	.191	.255	.320
6	.089	.178	.267	.356	.445
7	.119	.237	.356	.475	.594
8	.152	.303	.455	.607	.760
9	.190	.380	.571	.761	.951
10	.233	.466	.703	.933	1.166
11	.279	.560	.840	1.117	1.397
12	.330	.660	.990	1.320	1.650
13	.385	.770	1.155	1.540	1.925
14	.444	.890	1.333	1.777	2.222
15	.510	1.016	1.524	2.033	2.541
16	.575	1.150	1.726	2.301	2.876
17	.647	1.293	1.940	2.587	3.234
18	.724	1.447	2.171	2.895	3.620
19	.804	1.610	2.412	3.216	4.020
20	.889	1.777	2.666	3.555	4.444
21	.977	1.953	2.930	3.907	4.884
22	1.070	2.140	3.211	4.281	5.351
23	1.167	2.334	3.501	4.670	5.835
24	1.266	2.540	3.810	5.077	6.347
25	1.375	2.750	4.125	5.500	6.875
26	1.485	2.970	4.455	5.940	7.425

Shares, \$500.—Dues, \$1.00 per week.

TWELVE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1		.010	.014	.020	.024
2	.014	.030	.043	.057	.072
3	.027	.055	.083	.110	.140
4	.045	.093	.137	.182	.230
5	.070	.139	.209	.278	.350
6	.097	.194	.291	.389	.486
7	.130	.260	.389	.520	.650
8	.165	.331	.497	.662	.830
9	.207	.415	.623	.830	1.040
10	.254	.510	.767	1.017	1.272
11	.305	.609	.914	1.220	1.524
12	.360	.720	1.080	1.440	1.800
13	.420	.840	1.260	1.680	2.100
14	.485	.970	1.454	1.940	2.424
15	.554	1.110	1.663	2.217	2.772
16	.627	1.255	1.883	2.510	3.140
17	.705	1.411	2.117	2.822	3.530
18	.790	1.580	2.369	3.160	3.950
19	.877	1.756	2.631	3.510	4.386
20	.970	1.940	2.909	3.880	4.850
21	1.065	2.131	3.197	4.260	5.330
22	1.167	2.335	3.503	4.670	5.840
23	1.273	2.546	3.820	5.093	6.366
24	1.381	2.770	4.154	5.540	6.924
25	1.500	3.000	4.500	6.000	7.500
26	1.620	3.240	4.860	6.480	8.100

Shares, \$250 or \$500.—Dues, 50c. per week.

TWO PER CENT TABLES.

NO. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2					
3				.010	.010
4			.012	.015	.020
5		.011	.020	.023	.030
6	.010	.016	.024	.033	.040
7	.010	.021	.033	.043	.054
8	.013	.027	.042	.055	.070
9	.017	.034	.052	.070	.086
10	.021	.043	.064	.084	.106
11	.026	.050	.074	.101	.127
12	.030	.060	.090	.120	.150
13	.035	.070	.105	.140	.175
14	.041	.080	.121	.161	.202
15	.046	.093	.138	.184	.232
16	.052	.104	.157	.210	.261
17	.053	.117	.177	.235	.294
18	.065	.131	.198	.263	.329
19	.073	.146	.220	.293	.365
20	.080	.161	.243	.323	.404
21	.090	.177	.267	.355	.444
22	.097	.194	.292	.390	.486
23	.101	.212	.320	.424	.530
24	.116	.230	.346	.461	.577
25	.125	.250	.375	.500	.625
26	.135	.270	.405	.540	.675

Shares, \$250 or \$500.—Dues, 50c. per week.

THREE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2					.010
3			.010	.014	.017
4		.011	.017	.022	.030
5	.010	.018	.026	.034	.043
6	.012	.024	.037	.050	.060
7	.016	.033	.050	.064	.081
8	.020	.042	.062	.082	.103
9	.026	.052	.077	.103	.130
10	.031	.063	.095	.127	.160
11	.040	.076	.111	.152	.190
12	.045	.090	.135	.180	.225
13	.052	.105	.157	.210	.262
14	.060	.121	.181	.243	.303
15	.070	.138	.207	.277	.346
16	.080	.157	.235	.313	.392
17	.090	.177	.264	.352	.441
18	.100	.200	.296	.394	.493
19	.104	.220	.330	.440	.550
20	.121	.243	.363	.484	.606
21	.133	.267	.400	.532	.666
22	.146	.292	.437	.583	.730
23	.160	.320	.480	.636	.795
24	.172	.346	.520	.693	.860
25	.187	.375	.562	.750	.937
26	.205	.408	.607	.810	1.012

Shares, \$250 or \$500.—Dues, 50c. per week.

FOUR PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2				.010	.012
3		.010	.013	.020	.023
4		.015	.022	.031	.040
5	.011	.023	.034	.047	.060
6	.016	.033	.050	.064	.081
7	.021	.043	.064	.087	.110
8	.022	.055	.082	.111	.140
9	.034	.069	.103	.140	.173
10	.043	.084	.127	.170	.212
11	.050	.101	.153	.203	.254
12	.060	.120	.180	.240	.300
13	.061	.140	.210	.280	.350
14	.080	.161	.243	.323	.404
15	.093	.184	.277	.370	.462
16	.104	.209	.313	.420	.523
17	.117	.235	.352	.471	.590
18	.131	.263	.400	.526	.660
19	.146	.293	.440	.584	.732
20	.161	.323	.484	.647	.810
21	.177	.355	.532	.711	.890
22	.194	.390	.583	.780	.973
23	.212	.425	.636	.850	1.061
24	.230	.461	.693	.923	1.154
25	.250	.500	.750	1.000	1.250
26	.270	.540	.810	1.080	1.350

Shares, \$250 or \$500.—Dues, 50c. per week.

FIVE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2			.010	.012	.015
3		.011	.017	.023	.030
4	.010	.020	.030	.040	.047
5	.014	.030	.043	.060	.072
6	.020	.040	.060	.081	.101
7	.027	.054	.081	.107	.140
8	.034	.070	.103	.140	.172
9	.043	.086	.130	.173	.216
10	.053	.106	.160	.212	.265
11	.063	.127	.190	.254	.317
12	.070	.150	.225	.300	.375
13	.087	.170	.262	.350	.437
14	.101	.202	.303	.404	.505
15	.115	.231	.346	.462	.577
16	.130	.261	.392	.523	.653
17	.147	.294	.441	.590	.735
18	.164	.330	.493	.660	.822
19	.182	.360	.550	.731	.913
20	.202	.404	.606	.808	1.010
21	.222	.444	.666	.890	1.110
22	.243	.486	.730	.973	1.216
23	.265	.530	.795	1.061	1.326
24	.290	.577	.865	1.154	1.442
25	.312	.620	.932	1.250	1.562
26	.337	.670	1.012	1.350	1.687

Shares, \$250 or \$500.—Dues, 50c. per week.

SIX PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2			.010	.015	.020
3		.014	.020	.027	.034
4	.012	.024	.034	.045	.054
5	.020	.032	.052	.070	.087
6	.024	.050	.073	.097	.121
7	.033	.064	.097	.130	.162
8	.041	.082	.124	.165	.207
9	.052	.103	.155	.207	.260
10	.063	.127	.191	.255	.320
11	.076	.153	.230	.304	.381
12	.090	.180	.270	.360	.450
13	.105	.210	.315	.420	.525
14	.121	.243	.363	.484	.606
15	.140	.277	.415	.554	.693
16	.157	.313	.470	.627	.784
17	.177	.352	.530	.705	.882
18	.197	.394	.597	.790	.987
19	.220	.440	.657	.877	1.096
20	.243	.484	.727	.970	1.212
21	.266	.532	.800	1.065	1.332
22	.292	.583	.900	1.167	1.460
23	.320	.636	.954	1.273	1.591
24	.346	.693	1.040	1.384	1.731
25	.375	.750	1.125	1.500	1.875
26	.405	.810	1.210	1.620	2.025

Shares, \$250 or \$500.—Dues, 50c. per week.

SEVEN PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					
2		.010	.012	.016	.021
3	.010	.016	.024	.032	.040
4	.013	.027	.040	.053	.066
5	.020	.040	.061	.081	.101
6	.030	.056	.085	.113	.141
7	.037	.075	.114	.151	.190
8	.050	.096	.145	.193	.241
9	.060	.121	.181	.242	.302
10	.074	.147	.223	.296	.371
11	.090	.177	.266	.355	.444
12	.105	.210	.315	.420	.525
13	.122	.245	.367	.480	.612
14	.142	.282	.424	.575	.707
15	.162	.324	.485	.646	.810
16	.183	.366	.550	.732	.915
17	.205	.411	.617	.823	1.030
18	.230	.460	.691	.921	1.151
19	.250	.511	.767	1.024	1.280
20	.282	.565	.850	1.131	1.414
21	.320	.621	.933	1.243	1.554
22	.340	.681	1.021	1.362	1.702
23	.367	.742	1.114	1.486	1.856
24	.403	.807	1.211	1.615	2.020
25	.437	.875	1.312	1.750	2.187
26	.472	.995	1.412	1.890	2.362

Shares, \$250 or \$500.—Dues, 50c. per week.

EIGHT PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					.010
2		.010	.015	.020	.024
3	.010	.020	.027	.036	.046
4	.015	.031	.045	.060	.076
5	.023	.047	.070	.092	.116
6	.033	.065	.097	.130	.162
7	.043	.087	.130	.172	.216
8	.055	.111	.165	.220	.276
9	.070	.140	.207	.276	.346
10	.084	.170	.255	.340	.424
11	.101	.203	.304	.407	.510
12	.120	.240	.360	.480	.600
13	.140	.280	.420	.560	.700
14	.161	.323	.484	.647	.810
15	.184	.370	.555	.740	.924
16	.210	.420	.627	.836	1.046
17	.230	.471	.705	.940	1.176
18	.263	.527	.790	1.052	1.316
19	.293	.584	.877	1.170	1.462
20	.323	.647	.970	1.292	1.616
21	.355	.711	1.065	1.420	1.776
22	.390	.780	1.162	1.556	1.946
23	.430	.850	1.273	1.697	2.122
24	.461	.923	1.384	1.847	2.310
25	.500	1.000	1.500	2.000	2.500
26	.540	1.080	1.620	2.160	2.700

Shares,¹ \$250 or \$500.—Dues, 50c. per week.

NINE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1					.010
2		.010	.016	.021	.027
3	.010	.020	.031	.042	.051
4	.017	.035	.051	.070	.085
5	.026	.052	.090	.105	.130
6	.037	.073	.110	.145	.182
7	.050	.097	.145	.195	.243
8	.062	.124	.186	.250	.310
9	.080	.155	.233	.312	.390
10	.096	.190	.287	.381	.477
11	.114	.230	.343	.457	.571
12	.135	.270	.405	.540	.625
13	.157	.315	.472	.630	.787
14	.181	.363	.545	.727	.910
15	.210	.415	.623	.831	1.040
16	.235	.470	.706	.942	1.176
17	.264	.530	.793	1.060	1.323
18	.296	.592	.890	1.185	1.480
19	.330	.660	.986	1.315	1.644
20	.363	.727	1.090	1.455	1.820
21	.400	.800	1.196	1.600	2.000
22	.437	.875	1.313	1.752	2.190
23	.480	.960	1.432	1.910	2.387
24	.520	1.040	1.560	2.077	2.596
25	.562	1.125	1.687	2.250	2.812
26	.607	1.215	1.822	2.430	3.037

Shares, \$250 or \$500.—Dues, 50c. per week.

TEN PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1				.010	.010
2		.012	.020	.024	.030
3	.011	.023	.034	.046	.057
4	.020	.040	.057	.076	.095
5	.030	.060	.087	.116	.145
6	.040	.081	.121	.162	.202
7	.052	.110	.162	.216	.270
8	.070	.140	.207	.276	.345
9	.086	.173	.260	.341	.432
10	.101	.212	.320	.424	.530
11	.127	.254	.381	.510	.635
12	.150	.300	.450	.600	.750
13	.175	.350	.525	.700	.875
14	.202	.404	.606	.810	1.010
15	.231	.462	.693	.924	1.155
16	.261	.523	.784	1.046	1.307
17	.294	.590	.882	1.176	1.470
18	.330	.660	.987	1.316	1.645
19	.360	.731	1.096	1.462	1.827
20	.404	.810	1.212	1.616	2.020
21	.444	.890	1.332	1.776	2.220
22	.486	.973	1.460	1.946	2.432
23	.530	1.061	1.591	2.122	2.652
24	.577	1.154	1.731	2.310	2.880
25	.620	1.250	1.875	2.500	3.125
26	.670	1.350	2.025	2.700	3.375

Shares, \$250 or \$500.—Dues, 50c. per week.

ELEVEN PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1				.010	.011
2		.013	.020	.027	.033
3	.012	.025	.032	.050	.063
4	.020	.043	.062	.083	.104
5	.032	.063	.095	.127	.160
6	.044	.090	.133	.130	.222
7	.060	.118	.180	.237	.297
8	.076	.151	.227	.303	.380
9	.095	.190	.286	.380	.475
10	.110	.233	.302	.467	.583
11	.140	.280	.420	.560	.700
12	.160	.330	.495	.660	.825
13	.192	.385	.577	.770	.962
14	.222	.445	.666	.890	1.111
15	.254	.510	.762	1.017	1.270
16	.287	.575	.862	1.150	1.440
17	.323	.686	.970	1.293	1.617
18	.362	.723	1.085	1.447	1.810
19	.402	.804	1.206	1.610	2.010
20	.444	.890	1.333	1.777	2.222
21	.487	.976	1.465	1.953	2.442
22	.535	1.070	1.605	2.140	2.675
23	.583	1.167	1.755	2.334	2.917
24	.633	1.270	1.954	2.540	3.173
25	.687	1.375	2.062	2.750	3.437
26	.742	1.485	2.227	2.970	3.712

Shares, \$250 or \$500.—Dues, 50c. per week.

TWELVE PER CENT TABLES.

No. WEEKS	ONE SHARE	TWO SHARES	THREE SHARES	FOUR SHARES	FIVE SHARES
1				.010	.012
2		.014	.021	.020	.036
3	.013	.027	.042	.055	.070
4	.022	.046	.070	.091	.114
5	.034	.070	.106	.140	.174
6	.050	.097	.145	.195	.243
7	.064	.130	.195	.260	.324
8	.082	.165	.250	.331	.414
9	.103	.207	.311	.415	.520
10	.127	.255	.383	.510	.636
11	.153	.304	.457	.610	.762
12	.180	.360	.540	.720	.900
13	.210	.420	.630	.840	1.050
14	.243	.484	.727	.970	1.212
15	.277	.555	.831	1.103	1.386
16	.313	.627	.941	1.255	1.570
17	.353	.705	1.060	1.411	1.764
18	.364	.790	1.184	1.580	1.974
19	.440	.880	1.315	1.755	2.193
20	.484	.970	1.455	1.940	2.424
21	.532	1.065	1.600	2.131	2.664
22	.583	1.167	1.752	2.335	2.920
23	.636	1.273	1.960	2.547	3.183
24	.690	1.384	2.077	2.770	3.462
25	.750	1.500	2.250	3.000	3.750
26	.810	1.620	2.430	3.240	4.050

SYSTEM II.

The following tables and explanation are furnished by Mr. Henry L. Smith.

EXPLANATION.

In determining the semi-annual dividend to which a shareholder is entitled, it is customary to compute interest on the sum to his credit at the beginning of the half-year, and to add to this the interest on the equated value of the weekly payments made during the half-year.

Since there has been some controversy as to the proper method of determining the equated value of 26 weekly payments, the following explanation is added to make the matter perfectly clear:

The half-yearly dues are paid in 26 equal installments, the first installment being paid at the expiration of one week after the beginning of the half-year and the last installment at the end of the half-year. Hence the first payment has been on interest for 25 weeks, the second payment for 24 weeks, the third for 23 weeks, and so on to the last payment, which, being paid on the last night of the half-year, is entitled to no interest at all.

Now assuming the weekly payment to be \$1.00, we shall have the interest on \$1.00 for 25, 24, 23, 22, 21, 20, 19, 18, 17, 16, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, and 0 weeks = \$1.00 for 325 weeks, or, what is the same thing, \$12.50 for 26 weeks.

The following general rule (adapted from the rule for determining the sum of an arithmetical progression) will be found

applicable for determining the equated value of the payments for any number of weeks.

RULE. *Multiply the weekly payment by the number of weeks less one, and this product by half the number of weeks. Divide the last product by 26 and the quotient will be the equated investment for the half year.*

Thus in the above case, the weekly payment is \$1 and the number of weeks 26. Hence $\$1 \times 25 \times 13 \div 26 = \12.50 the equated investment as before.

In order to save the above computation in each case, the following tables, No. 1 and 2, have been prepared to show the equated value of any number of *dollars* from \$1 to \$20, for any number of weeks from 1 to 26, regardless of the rate per cent. The figures given are in even dollars, as it is assumed that secretaries will not compute dividends on fractions of a dollar.*

EXAMPLE. What is the equated value of the payment of \$7 per week for 15 weeks? Under the head of 7 shares and opposite the number 15 will be found \$28, which is the required answer.

The remaining tables show the interest for 6 months upon any sum from \$1 to \$1,000 for any rate from 5 per cent. to 8 per cent., including each $\frac{1}{4}$ per cent. between these rates.

To determine the proper dividend from these tables we have two cases: first, where the shares have been in force for less than 6 months, and second, where they have been in force for more than 6 months.

* For the convenience of those who may wish exact figures a table, No. 3, is added, in which the equated investment is given in dollars and cents.

If for less than six months, find the equated value of the investment from table No. 1, and then find the dividend from the interest table which is indicated by the rate per cent. of your dividend.

If for more than six months, find the amount to the credit of the shareholder at the beginning of the half year. Add to this \$12.50 for each dollar share, and the sum will be the amount upon which the dividend is to be computed, and this dividend may be found at once from the interest tables.

EXAMPLE. A pays \$7 weekly and his shares have been in force for 17 weeks. What is his dividend at $7\frac{1}{4}$ per cent.? From table No. 1 we find his equated investment to be \$36, and from the $7\frac{1}{4}$ per cent. table we find the interest on this sum to be \$1.30, or the required dividend.

EXAMPLE. B pays \$6 per week and his six shares have been in force more than six months. What is his dividend at 7 per cent. assuming that he had \$175 to his credit at the beginning of the half year? $\$175 + 75 (6 \times \$12.50) = \$250$. The 7 per cent. table gives the interest on \$200 as \$7.00 and on \$50 as \$1.75, hence the dividend is $\$7.00 + \1.75 or \$8.75.



No. 1.

1 Share to 10 Shares.

Table showing equated semi-annual investment.
Shares, \$1.00 per week.

No. Weeks.	1 Share.	2 Shares.	3 Shares.	4 Shares.	5 Shares.	6 Shares.	7 Shares.	8 Shares.	9 Shares.	10 Shares.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1										
2										
3									1	1
4					1	1	1	1	2	2
5			1	1	1	2	2	3	3	3
6		1	1	2	2	3	4	4	5	5
7		1	2	3	4	4	5	6	7	8
8	1	2	3	4	5	6	7	8	9	10
9	1	2	4	5	6	8	9	11	12	13
10	1	3	5	6	8	10	12	13	15	17
11	2	4	6	8	10	12	14	16	19	21
12	2	5	7	10	12	15	17	20	22	25
13	3	6	9	12	15	18	21	24	27	30
14	3	7	10	14	17	21	24	28	31	35
15	4	8	12	16	20	24	28	32	36	40
16	4	9	13	18	23	27	32	36	41	46
17	5	10	15	20	26	31	36	41	47	52
18	5	11	17	23	29	35	41	47	52	58
19	6	13	19	26	32	39	46	52	59	65
20	7	14	21	29	36	43	51	58	65	73
21	8	16	24	32	40	48	56	64	72	80
22	8	17	26	35	44	53	62	71	79	88
23	9	19	29	38	48	58	68	77	87	97
24	10	21	31	42	53	63	74	84	95	106
25	11	23	34	46	57	69	80	92	103	115
26	12	25	37	50	62	75	87	100	112	125

No. 2.

10 Shares to 20 Shares.

Table showing equated semi-annual investment.
Shares, \$1.00 per week.

No. Weeks.	11 Shares.	12 Shares.	13 Shares.	14 Shares.	15 Shares.	16 Shares.	17 Shares.	18 Shares.	19 Shares.	20 Shares.
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1										
2										
3	1	1	1	1	1	1	1	2	2	2
4	2	2	2	2	3	3	3	4	4	4
5	4	4	5	5	5	6	6	6	7	7
6	6	6	7	8	8	9	10	10	10	11
7	8	9	10	11	12	12	13	14	15	16
8	11	12	14	15	16	17	18	19	20	21
9	15	16	18	19	20	22	23	24	26	27
10	19	20	22	24	25	27	29	31	32	34
11	23	25	27	29	31	33	35	38	40	42
12	27	30	33	35	38	40	43	45	48	50
13	33	36	39	42	45	48	51	54	57	60
14	38	42	45	49	52	56	59	63	66	70
15	44	48	52	56	60	64	68	72	76	80
16	50	55	60	64	69	73	78	83	87	92
17	57	62	68	73	78	83	88	94	99	104
18	64	70	76	82	88	94	100	105	111	117
19	72	78	85	92	98	105	111	118	124	131
20	80	87	95	102	109	116	124	131	138	146
21	88	96	105	113	121	129	137	145	153	161
22	97	106	115	124	133	142	151	159	168	177
23	107	116	126	136	145	155	165	175	184	194
24	116	127	138	148	159	169	180	191	201	212
25	126	138	150	161	173	184	196	207	219	230
26	137	150	162	175	187	200	212	225	237	250

No. 3.
Table for showing equated semi-annual investment.
Shares \$1.00 per week.

Number of Shares.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
WEEK—1	04	08	11	15	19	22	26	30	34	38	42	46	49	52	57	60	64	68	72	76
2	11	23	34	46	57	68	80	92	1 03	1 15	1 26	1 38	1 49	1 60	1 71	1 84	1 95	2 06	2 18	2 30
3	23	46	69	92	1 15	1 38	1 61	1 84	2 07	2 30	2 53	2 76	2 99	3 22	3 45	3 68	3 91	4 14	4 37	4 60
4	38	77	1 15	1 54	1 92	2 30	2 68	3 07	3 46	3 84	4 22	4 61	4 99	5 36	5 76	6 14	6 52	6 92	7 30	7 68
5	58	1 15	1 73	2 30	2 88	3 46	4 04	4 62	5 19	5 77	6 35	6 92	7 50	8 08	8 64	9 24	9 81	10 38	10 96	11 54
6	81	1 62	2 43	3 23	4 04	4 86	5 66	6 46	7 27	8 08	8 89	9 70	10 51	11 32	12 12	12 92	13 74	14 54	15 35	16 16
7	1 08	2 15	3 23	4 30	5 38	6 46	7 53	8 61	9 69	10 77	11 85	12 92	13 99	15 06	16 14	17 22	18 30	19 38	20 46	21 54
8	1 38	2 77	4 15	5 54	6 92	8 30	9 68	11 07	12 45	13 84	15 22	16 61	17 99	19 36	20 76	22 14	23 52	24 90	26 29	27 68
9	1 73	3 46	5 19	6 92	8 65	10 38	12 11	13 84	15 57	17 30	19 03	20 76	22 49	24 22	25 95	27 68	29 41	31 14	32 87	34 60
10	2 11	4 23	6 34	8 46	10 57	12 69	14 80	16 92	19 03	21 15	23 26	25 38	27 49	29 60	31 71	33 84	35 95	38 06	40 18	42 30
11	2 54	5 07	7 61	10 15	12 69	15 22	17 76	20 30	22 84	25 38	27 92	30 45	32 99	35 52	38 07	40 60	43 15	45 68	48 22	50 76
12	3 00	6 00	9 00	12 00	15 00	18 00	21 00	24 00	27 00	30 00	33 00	36 00	39 00	42 00	45 00	48 00	51 00	54 00	57 00	60 00
13	3 50	7 00	10 50	14 00	17 50	21 00	24 50	28 00	31 50	35 00	38 50	42 00	45 50	49 00	52 50	56 00	59 50	63 00	66 50	70 00
14	4 04	8 07	12 11	16 15	20 19	24 23	28 26	32 30	36 34	40 38	44 42	48 45	51 49	54 52	57 56	61 00	64 04	67 08	70 12	73 16
15	4 61	9 23	13 84	18 46	23 07	27 68	32 30	36 92	41 53	46 15	50 76	55 38	59 99	64 60	69 21	73 84	78 45	83 06	87 68	92 30
16	5 23	10 46	15 69	20 92	26 15	31 38	36 61	41 84	47 07	52 30	57 53	62 76	67 99	73 22	78 45	83 68	88 91	94 14	99 37	104 60
17	5 88	11 77	17 65	23 54	29 42	35 30	41 18	47 07	52 95	58 84	64 72	70 61	76 49	82 36	88 26	94 14	100 02	105 91	111 79	117 68
18	6 58	13 15	19 73	26 30	32 88	39 46	46 04	52 61	59 19	65 77	72 35	78 92	85 50	92 08	98 64	105 22	111 81	118 38	124 96	131 54
19	7 31	14 62	21 93	29 25	36 54	43 86	51 15	58 44	65 73	73 06	80 39	87 70	95 00	102 30	109 62	116 94	124 23	131 54	138 85	146 16
20	8 08	16 15	24 23	32 30	40 38	48 46	56 54	64 61	72 69	80 77	88 85	96 92	105 00	113 08	121 14	129 22	137 31	145 38	153 46	161 54
21	8 88	17 25	25 32	33 40	41 48	49 56	57 64	65 72	73 80	81 88	89 96	98 04	106 12	114 20	122 28	130 36	138 44	146 52	154 60	162 68
22	9 73	19 46	29 19	38 92	48 65	58 38	68 11	77 84	87 57	97 30	107 03	116 76	126 49	136 22	145 95	155 68	165 41	175 14	184 87	194 60
23	10 61	21 23	31 84	42 46	53 69	63 92	74 15	84 38	94 61	104 84	115 07	125 30	135 53	145 76	155 99	166 22	176 45	186 68	196 91	207 14
24	11 54	23 07	34 61	46 15	57 69	68 92	79 15	89 38	99 61	109 84	119 07	129 30	139 53	149 76	159 99	170 22	180 45	190 68	200 91	211 14
25	12 50	25 00	37 50	50 00	62 50	75 00	87 50	100 00	112 50	125 00	137 50	150 00	162 50	175 00	187 50	200 00	212 50	225 00	237 50	250 00

5 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.95	75	1.87
2	.05	39	.97	76	1.90
3	.07	40	1.00	77	1.92
4	.10	41	1.02	78	1.95
5	.12	42	1.05	79	1.97
6	.15	43	1.07	80	2.00
7	.17	44	1.10	81	2.02
8	.20	45	1.12	82	2.05
9	.22	46	1.15	83	2.07
10	.25	47	1.17	84	2.10
11	.27	48	1.20	85	2.12
12	.30	49	1.22	86	2.15
13	.32	50	1.25	87	2.17
14	.35	51	1.27	88	2.20
15	.37	52	1.30	89	2.22
16	.40	53	1.32	90	2.25
17	.42	54	1.35	91	2.27
18	.45	55	1.37	92	2.30
19	.47	56	1.40	93	2.32
20	.50	57	1.42	94	2.35
21	.52	58	1.45	95	2.37
22	.55	59	1.47	96	2.40
23	.57	60	1.50	97	2.42
24	.60	61	1.52	98	2.45
25	.62	62	1.55	99	2.47
26	.65	63	1.57		
27	.67	64	1.60	100	2.50
28	.70	65	1.62	200	5.00
29	.72	66	1.65	300	7.50
30	.75	67	1.67	400	10.00
31	.77	68	1.70	500	12.50
32	.80	69	1.72	600	15.00
33	.82	70	1.75	700	17.50
34	.85	71	1.77	800	20.00
35	.87	72	1.80	900	22.50
36	.90	73	1.82	1000	25.00
37	.92	74	1.85		

5½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.00	75	1.97
2	.05	39	1.02	76	1.99
3	.08	40	1.05	77	2.02
4	.10	41	1.08	78	2.05
5	.13	42	1.10	79	2.07
6	.16	43	1.13	80	2.10
7	.18	44	1.15	81	2.13
8	.21	45	1.18	82	2.15
9	.24	46	1.21	83	2.18
10	.26	47	1.23	84	2.20
11	.29	48	1.26	85	2.23
12	.31	49	1.29	86	2.26
13	.34	50	1.31	87	2.28
14	.37	51	1.34	88	2.31
15	.39	52	1.36	89	2.34
16	.42	53	1.39	90	2.36
17	.45	54	1.42	91	2.39
18	.47	55	1.44	92	2.41
19	.50	56	1.47	93	2.44
20	.52	57	1.50	94	2.47
21	.55	58	1.52	95	2.49
22	.58	59	1.55	96	2.52
23	.60	60	1.57	97	2.55
24	.63	61	1.60	98	2.57
25	.66	62	1.63	99	2.60
26	.68	63	1.65		
27	.71	64	1.68	100	2.62
28	.73	65	1.71	200	5.25
29	.76	66	1.73	300	7.87
30	.79	67	1.76	400	10.50
31	.81	68	1.78	500	13.12
32	.84	69	1.81	600	15.75
33	.87	70	1.84	700	18.37
34	.89	71	1.86	800	21.00
35	.92	72	1.89	900	23.62
36	.94	73	1.92	1000	26.25
37	.97	74	1.94		

5½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.04	75	2.06
2	.05	39	1.07	76	2.09
3	.08	40	1.10	77	2.12
4	.11	41	1.13	78	2.14
5	.14	42	1.15	79	2.17
6	.16	43	1.18	80	2.20
7	.19	44	1.21	81	2.23
8	.22	45	1.24	82	2.25
9	.25	46	1.26	83	2.28
10	.27	47	1.29	84	2.31
11	.30	48	1.32	85	2.34
12	.33	49	1.35	86	2.36
13	.36	50	1.37	87	2.39
14	.38	51	1.40	88	2.42
15	.41	52	1.43	89	2.45
16	.44	53	1.46	90	2.47
17	.47	54	1.48	91	2.50
18	.49	55	1.51	92	2.53
19	.52	56	1.54	93	2.56
20	.55	57	1.57	94	2.58
21	.58	58	1.59	95	2.61
22	.60	59	1.62	96	2.64
23	.63	60	1.65	97	2.67
24	.66	61	1.68	98	2.69
25	.69	62	1.70	99	2.72
26	.71	63	1.73		
27	.74	64	1.76	100	2.75
28	.77	65	1.79	200	5.50
29	.80	66	1.81	300	8.25
30	.82	67	1.84	400	11.00
31	.85	68	1.87	500	13.75
32	.88	69	1.90	600	16.50
33	.91	70	1.92	700	19.25
34	.93	71	1.95	800	22.00
35	.96	72	1.98	900	24.75
36	.99	73	2.01	1000	27.50
37	1.02	74	2.03		

5 $\frac{3}{4}$ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.09	75	2.16
2	.06	39	1.12	76	2.18
3	.09	40	1.15	77	2.21
4	.11	41	1.18	78	2.24
5	.14	42	1.21	79	2.27
6	.17	43	1.24	80	2.30
7	.20	44	1.26	81	2.33
8	.23	45	1.29	82	2.36
9	.26	46	1.32	83	2.39
10	.29	47	1.35	84	2.41
11	.32	48	1.38	85	2.44
12	.34	49	1.41	86	2.47
13	.37	50	1.44	87	2.50
14	.40	51	1.47	88	2.53
15	.43	52	1.49	89	2.56
16	.46	53	1.52	90	2.59
17	.49	54	1.55	91	2.62
18	.52	55	1.58	92	2.64
19	.55	56	1.61	93	2.67
20	.57	57	1.64	94	2.70
21	.60	58	1.67	95	2.73
22	.63	59	1.70	96	2.76
23	.66	60	1.72	97	2.79
24	.69	61	1.75	98	2.82
25	.72	62	1.78	99	2.85
26	.75	63	1.81		
27	.78	64	1.84	100	2.87
28	.80	65	1.87	200	5.75
29	.83	66	1.90	300	8.62
30	.86	67	1.93	400	11.50
31	.89	68	1.95	500	14.37
32	.92	69	1.98	600	17.25
33	.95	70	2.01	700	20.12
34	.98	71	2.04	800	23.00
35	1.01	72	2.07	900	25.87
36	1.03	73	2.10	1000	28.75
37	1.06	74	2.13		

6 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.14	75	2.25
2	.06	39	1.17	76	2.28
3	.09	40	1.20	77	2.31
4	.12	41	1.23	78	2.34
5	.15	42	1.26	79	2.37
6	.18	43	1.29	80	2.40
7	.21	44	1.32	81	2.43
8	.24	45	1.35	82	2.46
9	.27	46	1.38	83	2.49
10	.30	47	1.41	84	2.52
11	.33	48	1.44	85	2.55
12	.36	49	1.47	86	2.58
13	.39	50	1.50	87	2.61
14	.42	51	1.53	88	2.64
15	.45	52	1.56	89	2.67
16	.48	53	1.59	90	2.70
17	.51	54	1.62	91	2.73
18	.54	55	1.65	92	2.76
19	.57	56	1.68	93	2.79
20	.60	57	1.71	94	2.82
21	.63	58	1.74	95	2.85
22	.66	59	1.77	96	2.88
23	.69	60	1.80	97	2.91
24	.72	61	1.83	98	2.94
25	.75	62	1.86	99	2.97
26	.78	63	1.89		
27	.81	64	1.92	100	3.00
28	.84	65	1.95	200	6.00
29	.87	66	1.98	300	9.00
30	.90	67	2.01	400	12.00
31	.93	68	2.04	500	15.00
32	.96	69	2.07	600	18.00
33	.99	70	2.10	700	21.00
34	1.02	71	2.13	800	24.00
35	1.05	72	2.16	900	27.00
36	1.08	73	2.19	1000	30.00
37	1.11	74	2.22		

6½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.19	75	2.34
2	.06	39	1.22	76	2.37
3	.09	40	1.25	77	2.41
4	.12	41	1.28	78	2.44
5	.16	42	1.31	79	2.47
6	.19	43	1.34	80	2.50
7	.22	44	1.37	81	2.53
8	.25	45	1.41	82	2.56
9	.28	46	1.44	83	2.59
10	.31	47	1.47	84	2.62
11	.34	48	1.50	85	2.66
12	.37	49	1.53	86	2.69
13	.41	50	1.56	87	2.72
14	.44	51	1.59	88	2.75
15	.47	52	1.62	89	2.78
16	.50	53	1.66	90	2.81
17	.53	54	1.69	91	2.84
18	.56	55	1.72	92	2.87
19	.59	56	1.75	93	2.91
20	.62	57	1.78	94	2.94
21	.66	58	1.81	95	2.97
22	.69	59	1.84	96	3.00
23	.72	60	1.87	97	2.03
24	.75	61	1.91	98	3.06
25	.78	62	1.94	99	3.09
26	.81	63	1.97		
27	.84	64	2.00	100	3.12
28	.87	65	2.03	200	6.25
29	.91	66	2.06	300	9.37
30	.94	67	2.09	400	12.50
31	.97	68	2.12	500	15.62
32	1.00	69	2.16	600	18.75
33	1.03	70	2.19	700	21.87
34	1.06	71	2.22	800	25.00
35	1.09	72	2.25	900	28.12
36	1.12	73	2.28	1000	31.25
37	1.16	74	2.31		

6½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.23	75	2.44
2	.06	39	1.27	76	2.47
3	.10	40	1.30	77	2.50
4	.13	41	1.33	78	2.53
5	.16	42	1.36	79	2.57
6	.19	43	1.40	80	2.60
7	.23	44	1.43	81	2.63
8	.26	45	1.46	82	2.66
9	.29	46	1.49	83	2.70
10	.32	47	1.53	84	2.73
11	.36	48	1.56	85	2.76
12	.39	49	1.59	86	2.79
13	.42	50	1.62	87	2.83
14	.45	51	1.66	88	2.86
15	.49	52	1.69	89	2.89
16	.52	53	1.72	90	2.92
17	.55	54	1.75	91	2.96
18	.58	55	1.79	92	2.99
19	.62	56	1.82	93	3.02
20	.65	57	1.85	94	3.05
21	.68	58	1.88	95	3.09
22	.71	59	1.92	96	3.12
23	.75	60	1.95	97	3.15
24	.78	61	1.98	98	3.18
25	.81	62	2.01	99	3.22
26	.84	63	2.05		
27	.88	64	2.08	100	3.25
28	.91	65	2.11	200	6.50
29	.94	66	2.14	300	9.75
30	.97	67	2.18	400	13.00
31	1.01	68	2.21	500	16.25
32	1.04	69	2.24	600	19.50
33	1.07	70	2.27	700	22.75
34	1.10	71	2.31	800	26.00
35	1.14	72	2.34	900	29.25
36	1.17	73	2.37	1000	32.50
37	1.20	74	2.40		

6 $\frac{3}{4}$ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.28	75	2.53
2	.07	39	1.32	76	2.56
3	.10	40	1.35	77	2.60
4	.13	41	1.38	78	2.63
5	.17	42	1.42	79	2.67
6	.20	43	1.45	80	2.70
7	.24	44	1.48	81	2.73
8	.27	45	1.52	82	2.77
9	.30	46	1.55	83	2.80
10	.34	47	1.59	84	2.83
11	.37	48	1.62	85	2.87
12	.40	49	1.65	86	2.90
13	.44	50	1.69	87	2.94
14	.47	51	1.72	88	2.97
15	.51	52	1.75	89	3.00
16	.54	53	1.79	90	3.04
17	.57	54	1.82	91	3.07
18	.61	55	1.86	92	3.10
19	.64	56	1.89	93	3.14
20	.67	57	1.92	94	3.17
21	.71	58	1.96	95	3.21
22	.74	59	1.99	96	3.24
23	.78	60	2.02	97	3.27
24	.81	61	2.06	98	3.31
25	.84	62	2.09	99	3.34
26	.88	63	2.13		
27	.91	64	2.16	100	3.37
28	.94	65	2.19	200	6.75
29	.98	66	2.23	300	10.12
30	1.01	67	2.26	400	13.50
31	1.05	68	2.29	500	16.87
32	1.08	69	2.33	600	20.25
33	1.11	70	2.36	700	23.62
34	1.15	71	2.40	800	27.00
35	1.18	72	2.43	900	30.37
36	1.21	73	2.46	1000	33.75
37	1.25	74	2.50		

7 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.33	75	2.62
2	.07	39	1.36	76	2.66
3	.10	40	1.40	77	2.69
4	.14	41	1.43	78	2.73
5	.17	42	1.47	79	2.76
6	.21	43	1.50	80	2.80
7	.24	44	1.54	81	2.83
8	.28	45	1.57	82	2.87
9	.31	46	1.61	83	2.90
10	.35	47	1.64	84	2.94
11	.38	48	1.68	85	2.97
12	.42	49	1.71	86	3.01
13	.45	50	1.75	87	3.04
14	.49	51	1.78	88	3.08
15	.52	52	1.82	89	3.11
16	.56	53	1.85	90	3.15
17	.59	54	1.89	91	3.18
18	.63	55	1.92	92	3.22
19	.66	56	1.96	93	3.25
20	.70	57	1.99	94	3.29
21	.73	58	2.03	95	3.32
22	.77	59	2.06	96	3.36
23	.80	60	2.10	97	3.39
24	.84	61	2.13	98	3.43
25	.87	62	2.17	99	3.46
26	.91	63	2.20		
27	.94	64	2.24	100	3.50
28	.98	65	2.27	200	7.00
29	1.01	66	2.31	300	10.50
30	1.05	67	2.34	400	14.00
31	1.08	68	2.38	500	17.50
32	1.12	69	2.41	600	21.00
33	1.15	70	2.45	700	24.50
34	1.19	71	2.48	800	28.00
35	1.22	72	2.52	900	31.50
36	1.26	73	2.55	1000	35.00
37	1.29	74	2.59		

7½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.38	75	2.72
2	.07	39	1.41	76	2.75
3	.11	40	1.45	77	2.79
4	.14	41	1.49	78	2.83
5	.18	42	1.52	79	2.86
6	.22	43	1.56	80	2.90
7	.25	44	1.59	81	2.94
8	.29	45	1.63	82	2.97
9	.33	46	1.67	83	3.01
10	.36	47	1.70	84	3.04
11	.40	48	1.74	85	3.08
12	.43	49	1.78	86	3.12
13	.47	50	1.81	87	3.15
14	.51	51	1.85	88	3.19
15	.54	52	1.88	89	3.23
16	.58	53	1.92	90	3.26
17	.62	54	1.96	91	3.30
18	.65	55	1.99	92	3.33
19	.69	56	2.03	93	3.37
20	.72	57	2.07	94	3.41
21	.76	58	2.10	95	3.44
22	.80	59	2.14	96	3.48
23	.83	60	2.17	97	3.52
24	.87	61	2.21	98	3.55
25	.91	62	2.25	99	3.59
26	.94	63	2.28		
27	.98	64	2.32	100	3.62
28	1.01	65	2.36	200	7.25
29	1.05	66	2.39	300	10.87
30	1.09	67	2.43	400	14.50
31	1.12	68	2.46	500	18.12
32	1.16	69	2.50	600	21.75
33	1.20	70	2.54	700	25.37
34	1.23	71	2.57	800	29.00
35	1.27	72	2.61	900	32.62
36	1.30	73	2.65	1000	36.25
37	1.34	74	2.68		

7½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.42	75	2.81
2	.07	39	1.46	76	2.85
3	.11	40	1.50	77	2.89
4	.15	41	1.54	78	2.92
5	.19	42	1.57	79	2.96
6	.22	43	1.61	80	3.00
7	.26	44	1.65	81	3.04
8	.30	45	1.69	82	3.07
9	.34	46	1.72	83	3.11
10	.37	47	1.76	84	3.15
11	.41	48	1.80	85	3.19
12	.45	49	1.84	86	3.22
13	.49	50	1.87	87	3.26
14	.52	51	1.91	88	3.30
15	.56	52	1.95	89	3.34
16	.60	53	1.99	90	3.37
17	.64	54	2.02	91	3.41
18	.67	55	2.06	92	3.45
19	.71	56	2.10	93	3.49
20	.75	57	2.14	94	3.52
21	.79	58	2.17	95	3.56
22	.82	59	2.21	96	3.60
23	.86	60	2.25	97	3.64
24	.90	61	2.29	98	3.67
25	.94	62	2.32	99	3.71
26	.97	63	2.36		
27	1.01	64	2.40	100	3.75
28	1.05	65	2.44	200	7.50
29	1.09	66	2.47	300	11.25
30	1.12	67	2.51	400	15.00
31	1.16	68	2.55	500	18.75
32	1.20	69	2.59	600	22.50
33	1.24	70	2.62	700	26.25
34	1.27	71	2.66	800	30.00
35	1.31	72	2.70	900	33.75
36	1.35	73	2.74	1000	37.50
37	1.39	74	2.77		

7½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.47	75	2.91
2	.08	39	1.51	76	2.94
3	.12	40	1.55	77	2.98
4	.15	41	1.59	78	3.02
5	.19	42	1.63	79	3.06
6	.23	43	1.67	80	3.10
7	.27	44	1.70	81	3.14
8	.31	45	1.74	82	3.18
9	.35	46	1.78	83	3.22
10	.39	47	1.82	84	3.25
11	.43	48	1.86	85	3.29
12	.46	49	1.90	86	3.33
13	.50	50	1.94	87	3.37
14	.54	51	1.98	88	3.41
15	.58	52	2.01	89	3.45
16	.62	53	2.05	90	3.49
17	.66	54	2.09	91	3.53
18	.70	55	2.13	92	3.56
19	.74	56	2.17	93	3.60
20	.77	57	2.21	94	3.64
21	.81	58	2.25	95	3.68
22	.85	59	2.29	96	3.72
23	.89	60	2.32	97	3.76
24	.93	61	2.36	98	3.80
25	.97	62	2.40	99	3.84
26	1.01	63	2.44		
27	1.05	64	2.48	100	3.87
28	1.08	65	2.52	200	7.75
29	1.12	66	2.56	300	11.62
30	1.16	67	2.60	400	15.50
31	1.20	68	2.63	500	19.37
32	1.24	69	2.67	600	23.25
33	1.28	70	2.71	700	27.12
34	1.32	71	2.75	800	31.00
35	1.36	72	2.79	900	34.87
36	1.39	73	2.83	1000	38.75
37	1.43	74	2.87		

8 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.52	75	3.00
2	.08	39	1.56	76	3.04
3	.12	40	1.60	77	3.08
4	.16	41	1.64	78	3.12
5	.20	42	1.68	79	3.16
6	.24	43	1.72	80	3.20
7	.28	44	1.76	81	3.24
8	.32	45	1.80	82	3.28
9	.36	46	1.84	83	3.32
10	.40	47	1.88	84	3.36
11	.44	48	1.92	85	3.40
12	.48	49	1.96	86	3.44
13	.52	50	2.00	87	3.48
14	.56	51	2.04	88	3.52
15	.60	52	2.08	89	3.56
16	.64	53	2.12	90	3.60
17	.68	54	2.16	91	3.64
18	.72	55	2.20	92	3.68
19	.76	56	2.24	93	3.72
20	.80	57	2.28	94	3.76
21	.84	58	2.32	95	3.80
22	.88	59	2.36	96	3.84
23	.92	60	2.40	97	3.88
24	.96	61	2.44	98	3.92
25	1.00	62	2.48	99	3.96
26	1.04	63	2.52		
27	1.08	64	2.56	100	4.00
28	1.12	65	2.60	200	8.00
29	1.16	66	2.64	300	12.00
30	1.20	67	2.68	400	16.00
31	1.24	68	2.72	500	20.00
32	1.28	69	2.76	600	24.00
33	1.32	70	2.80	700	28.00
34	1.36	71	2.84	800	32.00
35	1.40	72	2.88	900	36.00
36	1.44	73	2.92	1000	40.00
37	1.48	74	2.96		

SYSTEM III.

The following tables and explanation are furnished by Mr. Charles Beuzer.

EXPLANATION.

TO FIND THE AMOUNT UPON WHICH DIVIDEND FOR ONE SHARE IS TO BE DECLARED.

RULE. Add together the numbers of weeks each \$1 has been paid in. Divide this total by the number of weeks in the term. The quotient gives the average amount to be credited for the entire term.

EXAMPLE. A pays \$1 weekly for a term of 26 weeks. What is the average amount to his credit at the close of the term? Add together the number of weeks \$1 has been paid in, each 26, 25, 24, etc., down to 1. The total is 351 weeks. That is to say the credits to which he is entitled on his payments as he has made them are together equal to a credit of \$1 for 351 weeks. But \$1 for 351 weeks is equal to as many dollars for 26 weeks, as 26 weeks is contained in 351 weeks which is $13\frac{1}{2}$ times, or \$13.50.

TO FIND THE RATE PER CENT. OF DIVIDEND TO BE DECLARED.

RULE. Average the amount to the credit of each member according to the above rule and example. Then find the sum of all the average amounts. Find what per cent. the total profits are of this sum and this per cent. will give the rate of dividend to be declared.

EXAMPLE. Suppose the association has 125 members and that the total of the averaged investments is \$4,050. Suppose that the profits of the association for the term are \$265. One

per cent. of \$4,050 is \$40.50. \$265 will be as many times one per cent. of \$4,050 as \$40.50 is contained in it which is $6\frac{4}{11}$ times. Since it is not convenient to calculate interest at $6\frac{4}{11}$ per cent. the rate of the dividend would probably be fixed at 6 per cent. and the small balance of profits left over after the distribution at this rate would be placed in the reserve fund.

TO FIND THE FIRST DIVIDEND.

RULE. *Find the per cent. of the given amount in the table at the given rate for the dividend.*

EXAMPLE. A has paid \$1 weekly on 5 shares for 15 weeks. What is his semi-annual dividend, the rate being 6 per cent. per annum? From the table on page 249 we find that the average amount to his credit is \$23.10 which at 6 per cent. per annum gives him a dividend of \$0.69.

TO FIND ANY SUCCEEDING DIVIDEND.

RULE. *Add to the amount standing to the credit of a shareholder at the beginning of the term, his average credit for the term. From this sum deduct any dues withdrawn during the term. The balance will be the amount upon which the dividend is to be calculated.*

EXAMPLE. A has \$350 to his credit at the beginning of the term. He is entitled to an average credit for his payments during the term on his five shares of \$67.50. This added to the \$350 amounts to \$417.50. Deduct from this amount \$50 dues withdrawn, leaving a balance of \$367.50 the amount upon which his dividend is to be based at 6 per cent. per annum. His dividend is \$11.02.

The first of the following tables shows the total number of weeks' credit on \$1 for the payments made during a term. The remaining tables show the average amount each shareholder has to his credit for any number of weeks from 1 to 26 and for any number of shares from 1 to 10:

1 share at 50 cents.			2 shares at 50c. or 1 share at \$1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount
1	.50	.019	1	1.00	.03
2	1.00	.057	2	2.00	.11
3	1.50	.115	3	3.00	.23
4	2.00	.192	4	4.00	.38
5	2.50	.288	5	5.00	.57
6	3.00	.404	6	6.00	.80
7	3.50	.538	7	7.00	1.07
8	4.00	.692	8	8.00	1.38
9	4.50	.865	9	9.00	1.73
10	5.00	1.06	10	10.00	2.12
11	5.50	1.27	11	11.00	2.54
12	6.00	1.50	12	12.00	3.00
13	6.50	1.75	13	13.00	3.50
14	7.00	2.02	14	14.00	4.04
15	7.50	2.31	15	15.00	4.62
16	8.00	2.62	16	16.00	5.23
17	8.50	2.94	17	17.00	5.88
18	9.00	3.29	18	18.00	6.58
19	9.50	3.65	19	19.00	7.31
20	10.00	4.04	20	20.00	8.08
21	10.50	4.44	21	21.00	8.88
22	11.00	4.86	22	22.00	9.73
23	11.50	5.31	23	23.00	10.62
24	12.00	5.77	24	24.00	11.54
25	12.50	6.25	25	25.00	12.50
26	13.00	6.75	26	26.00	13.50

3 shares at 50 cents.			4 shares at 50c. or 2 shares at \$1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	1.50	.05	1	2.00	.07
2	3.00	.17	2	4.00	.22
3	4.50	.34	3	6.00	.46
4	6.00	.57	4	8.00	.76
5	7.50	.86	5	10.00	1.15
6	9.00	1.20	6	12.00	1.61
7	10.50	1.61	7	14.00	2.15
8	12.00	2.07	8	16.00	2.76
9	13.50	2.59	9	18.00	3.46
10	15.00	3.18	10	20.00	4.24
11	16.50	3.81	11	22.00	5.08
12	18.00	4.50	12	24.00	6.00
13	19.50	5.25	13	26.00	7.00
14	21.00	6.06	14	28.00	8.08
15	22.50	6.93	15	30.00	9.24
16	24.00	7.86	16	32.00	10.48
17	25.50	8.82	17	34.00	11.76
18	27.00	9.87	18	36.00	13.16
19	28.50	10.95	19	38.00	14.60
20	30.00	12.12	20	40.00	16.16
21	31.50	13.32	21	42.00	17.76
22	33.00	14.58	22	44.00	19.44
23	34.50	15.93	23	46.00	21.24
24	36.00	17.31	24	48.00	23.08
25	37.50	18.75	25	50.00	25.00
26	39.00	20.25	26	52.00	27.00

5 shares at 50 cents.			6 shares at 50c. or 3 shares at \$1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	2.50	.09	1	3.00	.11
2	5.00	.28	2	6.00	.34
3	7.50	.57	3	9.00	.69
4	10.00	.96	4	12.00	1.15
5	12.50	1.44	5	15.00	1.72
6	15.00	2.02	6	18.00	2.42
7	17.50	2.69	7	21.00	3.22
8	20.00	3.46	8	24.00	4.15
9	22.50	4.32	9	27.00	5.19
10	25.00	5.30	10	30.00	6.36
11	27.50	6.35	11	33.00	7.62
12	30.00	7.50	12	36.00	9.00
13	32.50	8.75	13	39.00	10.50
14	35.00	10.10	14	42.00	12.12
15	37.50	11.55	15	45.00	13.86
16	40.00	13.10	16	48.00	15.72
17	42.50	14.70	17	51.00	17.64
18	45.00	16.45	18	54.00	19.74
19	47.50	18.25	19	57.00	21.90
20	50.00	20.20	20	60.00	24.24
21	52.50	22.20	21	63.00	26.64
22	55.00	24.30	22	66.00	29.16
23	57.50	26.55	23	69.00	31.86
24	60.00	28.85	24	72.00	34.62
25	62.50	31.25	25	75.00	37.50
26	65.00	33.75	26	78.00	40.50

7 shares at 50 cents.			8 shares at 50c. or 4 shares at \$1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	3.50	.13	1	4.00	.15
2	7.00	.39	2	8.00	.45
3	10.50	.80	3	12.00	.92
4	14.00	1.34	4	16.00	1.53
5	17.50	2.01	5	20.00	2.30
6	21.00	2.82	6	24.00	3.23
7	24.50	3.76	7	28.00	4.30
8	28.00	4.84	8	32.00	5.53
9	31.50	6.05	9	36.00	6.92
10	35.00	7.42	10	40.00	8.48
11	38.50	8.89	11	44.00	10.16
12	42.00	10.50	12	48.00	12.00
13	45.50	12.25	13	52.00	14.00
14	49.00	14.14	14	56.00	16.16
15	52.50	16.17	15	60.00	18.48
16	56.00	18.34	16	64.00	20.96
17	59.50	20.58	17	68.00	23.52
18	63.00	23.03	18	72.00	26.32
19	66.50	25.55	19	76.00	29.20
20	70.00	28.28	20	80.00	32.32
21	73.50	31.08	21	84.00	35.52
22	77.00	34.02	22	88.00	38.88
23	80.50	37.17	23	92.00	42.48
24	84.00	40.39	24	96.00	46.16
25	87.50	43.75	25	100.00	50.00
26	91.00	47.25	26	104.00	54.00

9 shares at 50 cents.			10 shares at 50c. or 5 shares at \$1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	4.50	.17	1	5.00	.19
2	9.00	.51	2	10.00	.57
3	13.50	1.03	3	15.00	1.15
4	18.00	1.72	4	20.00	1.92
5	22.50	2.59	5	25.00	2.88
6	27.00	3.63	6	30.00	4.04
7	31.50	4.84	7	35.00	5.38
8	36.00	6.22	8	40.00	6.92
9	40.50	7.78	9	45.00	8.65
10	45.00	9.54	10	50.00	10.60
11	49.50	11.43	11	55.00	12.70
12	54.00	13.50	12	60.00	15.00
13	58.50	15.75	13	65.00	17.50
14	63.00	18.18	14	70.00	20.20
15	67.50	20.79	15	75.00	23.10
16	72.00	23.58	16	80.00	26.20
17	76.50	26.46	17	85.00	29.40
18	81.00	29.61	18	90.00	32.90
19	85.50	32.85	19	95.00	36.50
20	90.00	36.36	20	100.00	40.40
21	94.50	39.96	21	105.00	44.40
22	99.00	43.74	22	110.00	48.60
23	103.50	47.79	23	115.00	53.10
24	108.00	51.93	24	120.00	57.70
25	112.50	56.25	25	125.00	62.50
26	117.00	60.75	26	130.00	67.50

SIMPLE INTEREST.

The following method for calculating simple interest is taken from "Nelson's New Bookkeeping," by permission of the author.

Interest is usually calculated on the basis of 360 days to the year.

The simplest method of computing interest is to do it at the rate of 6 per cent. per annum, and add or subtract when it is higher or lower than that.

The interest for 60 days at 6 per cent. per annum is equal to as many cents as there are dollars, or in other words, is 1 per cent. of the principal.

The reason of this is obvious. 6 per cent. per annum is $\frac{1}{2}$ per cent. per month, or 1 per cent. for two months, or 60 days.

The interest for \$750, \$225, \$327.50, for 60 days, at 6 per cent. is \$7.50, \$2.25, \$3.28.

Having the interest for 60 days, the interest for any shorter time may be found by the use of aliquots of 60.

ALIQUOTS OF 60.

$$30 = \frac{1}{2}, 20 = \frac{1}{3}, 15 = \frac{1}{4}, 12 = \frac{1}{5}, 10 = \frac{1}{6}, 6 = \frac{1}{10}, 5 = \frac{1}{12}, 4 = \frac{1}{15}, \\ 3 = \frac{1}{20}, 2 = \frac{1}{30}, 1 = \frac{1}{60}.$$

When the number is not an aliquot of 60:

For 7 take.....	6 and 1.
“ 8 “	6 “ 2.
“ 14 “	12 “ 2.
“ 19 “	15 “ 4.
“ 26 “	20 “ 6.
“ 27 “	15 “ 12.

For 29 take.....	1 off 30.
“ 35 “	30 and 5.
“ 38 “	30, 6, and 2.
“ 43 “	30, 12, “ 1.
“ 45 “	15 off 60.
“ 85 add	20 and 5.

1. To find the interest on \$375.67, for 15 days, at 6 per cent. per annum :

$$4)3.76 = \text{interest for 60 days.}$$

$$.94 = \text{interest for 15 days.}$$

Interest is seldom computed on cents by secretaries. For 50 cents \$1 is added to dollars; less than 50 cents are rejected.

To find the interest for a number of days that is an aliquot of 60, we take that part of the interest for 60 days. For 30 days we take $\frac{1}{2}$, 20 days $\frac{1}{3}$, 15 days $\frac{1}{4}$, etc. When the number is not an aliquot it is made up of aliquots, as shown in the preceding table.

2. To find the interest on \$675.15, for 27 days, at 6 per cent. per annum :

$$\$6.75 = \text{interest for 60 days.}$$

$$1.687 = \frac{1}{4} \text{ or for 15 days.}$$

$$1.35 = \frac{1}{3} \text{ or for 12 days.}$$

$$3.037 = \text{interest for 27 days.}$$

The following table shows the interest on any amount from \$1 to \$5,000 for any number of weeks from 1 to 52. From this table the interest at any other rate per cent. can be found by aliquot parts as explained before.

MANUAL FOR

Calculated at 6 per cent per annum for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 26, 52 weeks. 364 days to the year.

WEEKS.	1	2	3	4	5	6	7	8	9	10	11	12	13	26	52
Amounts.															
\$															
1															
2		.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.01	.03	.06
3		.01	.01	.01	.02	.02	.02	.02	.02	.02	.02	.02	.03	.06	.12
4		.01	.01	.01	.02	.02	.02	.03	.03	.03	.04	.04	.04	.06	.12
5		.01	.01	.02	.02	.03	.03	.04	.04	.05	.05	.06	.06	.07	.15
6	.01	.01	.02	.03	.03	.04	.05	.05	.06	.06	.07	.07	.08	.09	.18
7	.01	.01	.02	.03	.04	.05	.06	.06	.07	.08	.09	.10	.10	.10	.21
8	.01	.02	.03	.04	.04	.05	.06	.07	.08	.09	.10	.11	.12	.12	.24
9	.01	.02	.03	.04	.05	.06	.07	.08	.09	.10	.11	.12	.13	.13	.27
10	.01	.02	.03	.04	.06	.07	.08	.09	.10	.11	.13	.14	.15	.15	.30
20	.02	.04	.07	.09	.11	.14	.16	.18	.21	.23	.25	.28	.30	.30	1.20
30	.03	.07	.10	.14	.17	.21	.24	.28	.31	.34	.38	.41	.45	.90	1.80
40	.04	.09	.14	.18	.23	.28	.32	.37	.41	.46	.51	.55	.60	1.20	2.40
50	.06	.11	.17	.23	.29	.34	.40	.46	.52	.58	.63	.69	.75	1.50	3.00
100	.11	.23	.34	.46	.58	.69	.81	.92	1.04	1.15	1.27	1.38	1.50	3.00	6.00
200	.23	.46	.69	.92	1.15	1.38	1.61	1.84	2.08	2.31	2.54	2.77	3.00	6.00	12.00
300	.34	.69	1.04	1.38	1.73	2.08	2.42	2.77	3.11	3.46	3.81	4.15	4.50	9.00	18.00
400	.46	.92	1.38	1.84	2.31	2.77	3.23	3.69	4.15	4.61	5.08	5.54	6.00	12.00	24.00
500	.58	1.15	1.73	2.31	2.88	3.46	4.04	4.61	5.19	5.77	6.34	6.92	7.50	15.00	30.00
1000	1.15	2.31	3.46	4.61	5.77	6.92	8.08	9.23	10.38	11.54	12.69	13.84	15.00	30.00	60.00
2000	2.31	4.61	6.92	9.23	11.54	13.84	16.15	18.46	20.77	23.08	25.38	27.69	30.00	60.00	120.00
3000	3.46	6.92	10.38	13.84	17.31	20.77	24.23	27.69	31.15	34.61	38.08	41.54	45.00	90.00	180.00
4000	4.61	9.23	13.84	18.46	23.08	27.69	32.31	36.92	41.54	46.15	50.77	55.38	60.00	120.00	240.00
5000	5.77	11.54	17.31	23.08	28.84	34.61	40.38	46.15	51.92	57.69	63.46	69.23	75.00	150.00	300.00

DIVISION OF PROFITS IN SERIAL ASSOCIATIONS.

One of the most difficult problems is the division of profits between the different series, and many plans have been devised only to be cast aside for another. The most equitable plan seems to be the Partnership Rule, that is, so that each share of each series receives the same per cent. per annum for the average time invested.

The partnership plan is founded on what is supposed to be a true building society principle, namely that the building society year or period is not so many months, years, or days, but a money value of \$100, and no division of gains is made, except on paper, until that value is reached, and then only the division is made to the shares that have reached that value; besides which the partnership plan is the safest for general use, as it accomodates itself to every possible situation which may arise in building society accounts. The profits in a building association are not uniform from year to year. Various circumstances arise in which some years will show an abnormally large profit, to be offset by another year in which the profits are smaller, and contingencies may arise where the profits for the year are entirely wiped out. In all these varying circumstances the partnership plan of dividing the profits will meet with more fairness and equity to all stockholders in the various series.

A simple rule for the division of profits under the partnership plan is:—

“Multiply investments (dues counted full paid) by the average time invested. Add results for product of results. Multiply each result by the total gain since organization, and divide in each case by product

of results. The quotients will be each series' gain. Divide each series' gain by the number of shares in that series to find the gain per share."

The work is greatly lessened by the following formula. It runs in numerical order, for an association issuing series, beginning with the last series, as follows: 1, 4, 9, 16, 25, 49, 64, etc. When this formula is used the shares are multiplied by the formula, instead of the investment being multiplied by the time. The rest of the rule remains unchanged.

Series.	Shares.	Formula.	Result.
1.....	100	× 9 =	\$900
2.....	100	× 4 =	400
3.....	100	× 1 =	100
			Product of result.....\$1400

Total Gain.	Product of Results.	Gain per Series.
\$100 = \$9000	÷ \$1400 =	\$64.28
100 = 4000	÷ 1400 =	28.57
100 = 1000	÷ 1400 =	7.15
		Total gain.....\$100.00

Gain per Share.	Shares.	Gain per Share.
64.28	÷ 100 =	.64
28.57	÷ 100 =	.29
7.15	÷ 100 =	.07

The formula or money-making power of a share is determined by squaring the number of months or years as the case may be. If the association issues its shares monthly use the square of the months; if yearly, square the number of years as above.

The solution of the formula: If a \$6 share has the money-making power of *one*, average time six months, then a \$12 share, with twelve months average time, is a power of *four*, the latter being *twice the money of the former, and twice the time*, ($2 \times 2 = 4$). Therefore, if the \$6 share earns 7 cents, the \$12 share earns 28 cents, or four times as much.

A still shorter method may be used to prove the work. Proceed with the rule until the "product of results" is obtained, in this case \$1400. Then divide the gain by it, as follows: $\$100 \div 1400 = .07$. This at once gives the gain on *one share in the last series*, 7 cents. Multiply this by the formula and the result is the gain of a single share in each series.

$$.07 \times 1 = .07$$

$$.07 \times 4 = .28$$

$$.07 \times 9 = .63$$

The average time used is just one-half of the whole time. Fractional parts of a dollar may be discarded.



CHAPTER XVII.

LEGAL FORMS FOR ASSOCIATIONS.

NECESSITY FOR CORRECT BLANK FORMS.

In order to save time and labor, to facilitate and to expedite business, and to secure accuracy and uniformity, every association should be supplied with a set of blank legal forms for the proper transaction and recording of its business. Such papers must be drawn in accordance with the statutes and with the rules of associations. Since the statutes differ and rules are not at all uniform it is not possible to present a full set of model blanks.

SPECIMEN BLANKS.

The forms printed in this chapter are in general use. They are given without approval or criticism in the expectation that before being followed by any association they will be examined carefully to see if they are in proper form for use by that particular association. An examination of these forms will indicate anew the necessity for closer co-operation among building associations so as to secure more uniform methods of operation.

ARTICLES OF INCORPORATION (OHIO).

These Articles of Incorporation of The..... Building and Loan Company.

Witness, That we, the undersigned, natural persons, all of whom are citizens of the State of Ohio, desiring to form a corporation, for profit, under the general corporation laws of said state, do hereby certify :

1. The name of said corporation shall be The..... Building and Loan Company.

2. Said corporation is to be located in..... County, Ohio, and its principal business there transacted.

3. Said corporation is formed for the purpose of raising money to be loaned among its members, as provided by law.

4. The capital stock of said corporation shall be..... dollars, divided into..... shares of..... dollars each.

In Witness Whereof, We have hereunto set our hands, this....day of189..

.....
.....
.....
.....
.....

STATE OF OHIO, }
County of } ss.

Personally appeared before me, the undersigned, a Notary Public within and for said County, this....day of.....189 , the above-named.....

..... who each severally acknowledged the signing of the foregoing articles of incorporation to be his free act and deed, for the uses and purposes therein mentioned.

Witness my hand and official seal on the day and year aforesaid.



.....
Notary Public.

STATE OF OHIO, }
 County of } ss.

I,, Clerk of the Common Pleas, within and for the County aforesaid, do hereby certify that....., whose name is subscribed to the foregoing acknowledgement as a Notary Public was at the date thereof a Notary Public in and for said County, duly commissioned and qualified, and authorized as such to take said acknowledgment; and further, that I am well acquainted with his handwriting, and believe that the signature to said acknowledgment is genuine.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Court, at....., Ohio, this....day of, 189..



.....
 Clerk.

By.....Deputy,

UNITED STATES OF AMERICA, OHIO, }
 Office of the Secretary of State. } ss.

I,, Secretary of State of the State of Ohio, do hereby certify that the foregoing is a true copy of the Articles of Incorporation of "TheBuilding and Loan Company" filed in this office on the....day of .. 189 , and recorded in volume....., page....., of the Records of Incorporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my seal of office, at Columbus, the....day of, A. D. 189 .



.....
 Secretary of State.

By.....Deputy.

SUBSCRIPTION LIST

OF

The Building and Loan Association
of

We, the undersigned, hereby agree to take the amount of shares of stock in The Building and Loan Association of....., as set opposite our names.

Shares..... Weekly Dues Admission fee.

In order to facilitate the permanent organization of said association, we hereby waive the statutory notice of thirty days, for holding of an election for Board of Directors of said association.

NAME.	RESIDENCE.	SHARES.
.....
.....
.....
.....
.....
.....

PROXY ON STOCK.

BE IT KNOWN, that I, the undersigned stockholder in The Building and Loan Association, do hereby appoint.....

..... true and lawful attorney, with power of substitution and revocation, for..... and in..... name., to vote at the meeting of stockholders in said association, to be held on....., the day of..... 189..

Done at..... on this..... day of..... 189..

.....

BOND OF OFFICERS (OHIO).

Know all Men by these Presents :

That.....as principal, andas sureties, are firmly held and bound unto The.....Building and Loan Company, a corporation under the Laws of Ohio, in the sum ofthousand (\$ 000.00) dollars, to be paid to said corporation, its successors or assigns, for which payment well and truly to be made we bind ourselves, our heirs, executors, and administrators, jointly and severally, firmly by these presents. SEALED with our seals, dated theday of.....one thousand eight hundred and ninety.....

The Condition of the above obligation is such that whereas the said.....was on the ..day of.....A. D. 189..duly.....as.....of said corporation,

Now, therefore, if the said.....shall faithfully perform all and singular the duties incumbent upon him as such officer aforesaid as prescribed by the Constitution and By-Laws of said corporation (which are made part hereof) and according to the orders of the Board of Directors of said corporation, and shall, when duly requested by the Board of Directors of said corporation, turn over to such person or persons as it may designate, all books, papers, receipts or other documents, money or moneys, or other property of any nature whatsoever, belonging to said corporation or to which the said corporation may have the right of possession, then these presents to be void, otherwise to remain in full force and virtue.

Signed and sealed in our presence :

..... }Seal.
..... }Seal.
..... }Seal.

NOTE.—Bonds are backed for filing as follows :

Bond of.....as.....of The
.....Building and Loan Company.
.....Attorney.

MORTGAGE (OHIO).

Know all Men by these Presents :

That

.....

..... in consideration of
.....dollars, the estimated value of.....
shares of its capital stock, advanced and paid to said.....
.....by

The.....Building and Loan Company,
of....., Ohio, a Corporation under the Laws of Ohio,
the receipt of which is hereby acknowledged, do hereby
GRANT, BARGAIN, SELL, and CONVEY to the said
Building and Loan Company, its successors and assigns, for-
ever, the following.....estate, situated in the County
of....., State of....., and bounded and described
as follows:

.....
.....
.....
.....

and all the ESTATE, TITLE, and INTEREST of the said
grantor either in Law or in Equity, of, in, and to the said
premises: TOGETHER with all the privileges and appurten-
ances to the same belonging, and all the rents, issues, and
profits thereof; TO HAVE AND TO HOLD the same, in fee,
to the use of said Building and Loan Company, its successors
and assigns, forever.

AND the said
for.....and for... ..heirs, executors, and administrators,
do hereby COVENANT with the said Building and Loan
Company, its successors and assigns, that
is the true and lawful owner of the said premises and have
full power to convey the same, and that the title so conveyed is
CLEAR, FREE and UNINCUMBERED; and further, that
.....will WARRANT and DEFEND the same against the
claims of all persons whomsoever.

Provided, nevertheless, that, whereas the said...
 ha become a member of said Building and Loan
 Company, and subscribed to..... share therein to be paid
 in weekly installments of....per share, and received in ad-
 vance from said Company said \$....., the estimated value of
 said share , shall pay said Company, according to the Consti-
 tution and By-Laws, without demand therefor any fines and
 assessments thereby imposed, and said weekly installments of
 per share as premium on said advance, and an
 interest upon said \$ in weekly payments of... cents per
 share for the first year, and thereafter a weekly sum or amount
 sufficient to keep the interest upon the amount due at the be-
 ginning of each year at the rate of six per cent. per annum
 until the full amount of said ... shares shall have been paid,
 with all dues, premium, interest, fines, etc., thereon according
 to the Constitution and By-Laws, and shall pay all taxes, as-
 sessments, insurance, ground rents, or charges of any kind
 that may become due and payable on said property; and in
 case of default in making any of said payments for a period of
 ninety days, and a suit of foreclosure be brought therefor,
 then the amount of the face of this mortgage, with all arrear-
 ages thereon, less the credits paid upon the principal, shall
 become due and payable at once, all as prescribed by the said
 Constitution and By-Laws; and if the said...
shall comply with all the foregoing obligations, then
 these presents shall be void.

In Witness Whereof, the said.....

 who hereby release right and expectancy of dower in
 said premises, ha hereunto sethand this...day of
 in the year of our Lord, one thousand eight hundred
 and ninety.....(189)

Signed, sealed and acknowledged in presence of us:

..... }
 }
 }
 }

The State of Ohio, County of, ss.

Be it remembered, That on theday of in the year of our Lord, one thousand eight hundred and ninety(189) before me, the undersigned, a Notary Public, in and for said County, personally came.....

.....the grantor in the foregoing mortgage, and acknowledged the signing and sealing thereof to bevoluntary act and deed, for the uses and purposes therein mentioned.

In Testimony Whereof, I have hereunto subscribed my name and affixed my notarial seal on the day and year aforesaid,

..... Notary Public,County, Ohio.

.....189..

The within mortgage being fully paid and satisfied, may be cancelled off record, by order of the Board of Directors.

TheBuilding and Loan Company.

By President.

andSecretary.

No

MORTGAGE.

to
The.....
Building and Loan Company
of, Ohio.

Received for Record the.....
day of.....189...at. ... o'clock,
... M.
Recorded in Book
Page.....

Recorder,.....County, Ohio.
Paid for Recording

.....Attorney.

MORTGAGE (KENTUCKY).

KNOW ALL MEN BY THESE PRESENTS :

THAT.....of the.....County of.....and State of Kentucky, for and in consideration of.....dollars to h ... paid by the..... Building and Loan Association, a corporation under the Laws of the State of Kentucky, located at....., Ky., the receipt whereof is hereby acknowledged, do .. hereby Grant, Bargain, Sell, Release, Waive, and Convey unto the said Association, its Successors and Assigns forever, the following Real Estate, situated in the County of..... and State of Kentucky and bounded and described as follows, to-wit:

.....
.....
.....

and all the Right, Title, Interest, and Estate of said Grantors and each of them, in and to the said premises ; the Grantors hereby expressly waiving, releasing, conveying, and mortgaging, to the Grantee all right to Homestead Exemption and Wife's right and expectancy of Dower, as well as all other interest they or either of them may have in and to the said property, and all the rents, profits, and issues thereof; together with all the Privileges and Appurtenances to the same belonging, TO HAVE and TO HOLD the same to the said Association, its Successors and Assigns forever, the Grantor, ...h... Heirs, Executors, and Administrators hereby covenanting with the Grantee, its successors and Assigns, thatthe true and lawful owuer.. of said premises and ha.. full power to convey the same, and that the Title so conveyed is clear, free and unincumbered and that they will Warrant and Defend the same against all legal and equitable claims whatsoever; and

WHEREAS, the saidis a member of said Association and has heretofore subscribed to.....shares of \$500 each and..... shares of \$125 each, therein, to be paid in weekly installments of \$each as dues, to-wit: \$1 on each \$500 share and 25 cents on each \$125 share, at the office

of the Association without demand on.....day of each and every week until the amount of dues so paid in together with the dividend declared thereon but not withdrawn shall amount to the face value of each share; and

WHEREAS, the said Association has at the special instance and request of said member.., loaned and advanced toh..... the sum of \$, being the full amount to whichh.... would be entitled upon said shares when fully paid up;

NOW THEREFORE, the conditions of this mortgage are such that if the saidor either of them, shall pay or cause to be paid, to such Association, its Successors or Assigns..... certain note... of even date herewith, for \$. . . , and interest thereon; said note to be paid in weekly installments of.....each as dues and weekly installments of \$each as interest on said loan, onday of each and every week, without demand at the office of the Association during business hours until said shares become paid up as aforesaid; and shall pay all fines assessed against .h... by said Association under its Constitution and By-Laws; and shall pay or cause to be paid punctually all taxes, assessments, and fire insurance on said premises, and keep the same fully insured for the benefit of said Association, its Successors and Assigns, and to refrain from doing or omitting, or allowing to be done or omitted, any act or thing, on or about said premises, whereby the security of said Association is diminished or endangered either by lessening the value of the property or by impairing or tending to impair the validity of the insurance policies thereon, and to fulfill and conform to all the requirements of the Constitution and By-Laws of said Association, during the continuance of this loan, then these presents shall be null and void; but

IF HOWEVER, the said.....or either of them, should fail to pay any of said weekly installments of dues or interest, in whole or in part, as hereinbefore stipulated for, within ninety days after the same become due and payable, or any fine, tax, assessment, or insurance as the same may become due and payable or necessary, or do or omit to do any of the acts or things hereinbefore agreed upon and prom-

ised, then the whole of said loan then remaining due shall at once become due and payable with six per cent. per annum interest thereon from such default until fully paid, and this Mortgage may thereupon be foreclosed for such unpaid amount of said loan, and six per cent. interest from the default until paid.

In Witness Whereof, the saidh.... hereunto set..... hand .., this.....day of.....189..
TESTE:

..... }
..... }
.....
.....

COMMONWEALTH OF KENTUCKY, }
COUNTY OF..... } *Sct.*

I,, Clerk of the County Court in and for the County aforesaid, do hereby certify that this instrument of writing from to The..... Building and Loan Association, of, Ky., was on theday of.....189..., produced to me in my office by the parties, and was acknowledged by the said to beh..... act and deed, and the contents and effect of the Instrument being explained to the said

.....
by me separately and apart ... h....said husband, ..he thereupon declared that .. h ... said did freely and voluntarily execute and deliver the same to be act and deed, and consented that the same might be recorded, and the same was this day lodged for record. Whereupon said instrument and this certificate have been duly admitted to record in my office.

Given under my hand, this....day of.....18..
....., Clerk.
By.....Deputy.

MORTGAGE DEED.

FROM

.....

TO

.....

LOAN AND BUILDING ASSOCIATION

at , Ky.

Acknowledged.....

.....

Lodged for Record.....

Recorded in Mortgage Book, No.....

Page.... at.....

Tax Paid.....

Fee.....

MORTGAGE CLAUSE FOR INSURANCE POLICIES.

IT BEING HEREBY UNDERSTOOD AND AGREED, That this insurance, as to the interest of the Mortgagee or Trustee only therein, shall not be invalidated by any act or neglect of the Mortgagor or Owner of the property insured, or by the occupation of the premises for purposes more hazardous than are permitted by the terms of this Policy. PROVIDED, ALSO, that in case the Mortgagor or Owner neglects or refuses to pay any premium due under this Policy, then, on demand, the Mortgagee or Trustee shall pay the same. PROVIDED, ALSO, that the Mortgagee or Trustee shall notify this Company of any change of ownership or increase of hazard which shall come to his or her knowledge, and shall have permission for such change of ownership or increase of hazard duly indorsed on this Policy. AND PROVIDED FURTHER, That every increase of hazard not permitted by the Policy to the Mortgagor or Owner shall be paid for by the Mortgagor or Trustee on rea-

sonable demand, and after demand made by this Company upon, and refusal by, the Mortgagee or Owner to pay, according to the established schedule of rates. It is, however, understood that this Company reserves the right to cancel this Policy, as stipulated in the printed conditions in said Policy; and also, to cancel this agreement on giving ten days' notice of their intention to the Trustee or Mortgagee named therein, and from and after the expiration of the said ten days, this agreement shall be null and void. IT IS FURTHER AGREED, That in case of any other insurance upon the property hereby insured, then this Company shall not be liable under this Policy for a greater portion of any loss sustained than the sum hereby insured bears to the whole amount of insurance on said property, issued to or held by any party or parties having an insurable interest therein. IT IS ALSO AGREED, That whenever this Company shall pay the Mortgagee or Trustee any sum for loss under this Policy, and shall claim that as to the Mortgagor or Owner, no liability therefor exists, it shall at once, and to the extent of such payment, be legally subrogated to all the rights of the party to whom such payments shall be made, under any and all securities held by such party for the payment of said debt. But such subrogation shall be in subordination to the claim of said party for the balance of the debt so secured. Or said Company may, at its option, pay the said Mortgagee or Trustee the whole debt so secured, with all the interest which may have accrued thereon to the date of such payment, and shall thereupon receive from the party to whom such payment shall be made an assignment and transfer of said debt, with all securities held by said parties for the payment thereof.

This slip being attached to Policy No .. of the.
INSURANCE COMPANY, forms part of said Policy.

Dated

....., Secretary.

MORTGAGE COLLATERAL NOTE ON SHARES OF STOCK.

\$
 Name \$ 189..
 Received of The.....Building and Loan Association,
 of..... dollars, as a loan on.....shares of
 stock, No.....owned by.....in said Association.....agree
 to pay said Association, weekly, not less than.....¹⁰⁰dollars,
 which shall be applied as follows:
 FIRST.—To the payment of any fine or other assessments made against.....in
 pursuance of the by-laws of said Association.
 SECOND.—To the payment of the premium for precedence due on said loan, amounting to
¹⁰⁰ Dollars per week.
 THIRD.—To the payment of the interest due on said loan, amounting to.....
¹⁰⁰ Dollars per week.
 FOURTH.—The balance of said payment shall be credited as dues on said stock. Said
 payments shall be continued until the dues so credited on said stock, together
 with the dividends declared thereon, shall equal the amount loaned.
 Shouldfail for eight weeks to pay said weekly payment, then the
 whole amount of said loan shall at once become due and payable.
 No.....
 No.....

MECHANICS' LIEN (OHIO).

....., Ohio. 189..

In consideration of one dollar, and other valuable considerations, the receipt of which is hereby acknowledged, do hereby agree with

The Building and Loan Company
of County, Ohio,

that will not take a mechanics' lien on the real estate of situated County, Ohio, to secure amount due or to become due., for material furnished or labor performed in or about the erection of..... on said real estate, under contract made with the said and..... hereby waive any right of priority of lien might have on said real estate in favor of said Company.

Collateral Note for Loan on Pass Book.

\$..... 189..
..... after date promise to pay to the order of

The Building and Loan Association,
of

..... Dollars, with..... per week interest, the same being per cent. on the amount of loan, and herewith transfer my Pass Book No ... to said Association, to be held as collateral until payment of this loan, said loan being subject to the Constitution and By-Laws of the Association.

Value received.....
No..... Due.....

STUB.

\$.....
Date.....
.....
No..... Due

ATTORNEY'S REPORT.

To the Board of Directors of

The.....Building and Loan Association
of.....

Gentlemen:

I find that the title to property of.....

.....
.....
.....

situated.....

.....
.....
.....
.....

is in the name of said party, as the same appears indexed of
Record in the Recorder's Office of.....County,
State of Ohio, subject however to the following encumbrance:

.....
.....
.....
.....
.....

The taxes are.....

.....
Remarks.....
.....

Respectfully submitted,

.....Attorney.

Certificate of Paid-up Stock.

Capital Stock, \$1,000,000. Shares, \$500.

The.....

Building and Loan Association of.....

THIS CERTIFIES, that.....
has paid to

The..... Building and Loan Association
 of.....

the sum of..... Dollars,
 as appears by the Coupons hereto attached,
 being the full amount of..... Share...
 of the Capital Stock of said Association.

Transferable only on the books of the
 Association on return of this Certificate.

Issued and dated at.....
 this..... day of..... 189..

..... President.
 Secretary.

10	ONE HUNDRED DOLLARS.	1
9	ONE HUNDRED DOLLARS.	2
8	ONE HUNDRED DOLLARS.	3
7	ONE HUNDRED DOLLARS.	4
6	ONE HUNDRED DOLLARS.	5
5	ONE HUNDRED DOLLARS.	6
4	ONE HUNDRED DOLLARS.	7
3	ONE HUNDRED DOLLARS.	8
2	ONE HUNDRED DOLLARS.	9
1	ONE HUNDRED DOLLARS.	10

Cert. No.....

Date

No. Shares.....

Name

Address.....

\$.....

Received this Cer-
 tificate

.....

CHAPTER XVIII.

REPORTS.

THEIR NECESSITY.

One of the chief arguments in favor of the building association as a saving society is that it is managed by the members themselves, and that they may therefore at all times know exactly what is being done with their money, and also the condition of the association. Members can gain this knowledge only through the regular periodical publication of reports. The issuing of such reports, therefore, is one of the most important duties of the officers of an association. Consequently the importance of preparing and publishing correct reports of the business transactions—with itemized exhibits of all receipts and disbursements, together with all information as to the details of its affairs—can not be too strongly urged upon the officers of an association.

In order that a report shall be of the highest value it is necessary that not only shall it be accurate, but

that it shall be published at sufficiently short intervals to enable the members to keep the run of the business in their minds, and also to give them opportunity to take steps, when necessary, to correct any evils that may be found to exist. Such reports should be rendered at least once every six months, and a copy should be placed in the hands of each member.

If an association is properly conducted and its business is in a prosperous condition, not only will the circulation of reports give satisfaction to its members, but they may be used for advertising purposes, and in this way additional members may be brought in and the prosperity and usefulness of the association may be increased. The knowledge that reports must be printed and circulated at stated periods tends to put both officers and members upon their mettle, and thus insures better management for the association. Every one connected with an association feels a just pride in their ability to present so favorable a report.

On the other hand, if an association is not prosperous, the sooner and the more completely this fact is made known to its members, the better it is for all concerned. If the evils found to exist are curable, they may be remedied promptly, and the association be put upon a better basis. If they are incurable, steps may be taken to wind up the association before its affairs become seriously involved. Under such circumstances, moreover, the public would be warned by the publication of an accurate report, and outsiders thus would not become involved by becoming members.

LEGAL REQUIREMENTS.

So important is this matter of reports that many of the states have already enacted statutes requiring that such reports shall be made, and outlining their form and character. To quote in full the statutory provisions of the different states which relate to this subject, and to enter into a comparison and discussion of them, would be foreign to the purpose of this work. It will be interesting and suggestive, however, to give very briefly some of the legal requirements in a few of the states.

In Michigan every association must, in January of each year, make a report in writing, verified by the oaths of two or more of its officers, showing the condition of its affairs at the close of the preceding year in the following particulars:

1. The amount and number of shares for which subscriptions have been received.
2. The amount which has been paid in upon such shares in dues and penalties.
3. The number of shares which have been purchased, and the gross amount of discount allowed upon the purchases.
4. The number of shares paid and extinguished in other ways.
5. The gross amount of the debts of the association.

This report must be filed in the office of the clerk of the court in the county where the association operates. The attorney general of the state may at any time require further and detailed reports, and may make personal investigation of books, papers, and securities.

In Missouri each association must, in the months of January and July, publish in one or more newspapers in the city or county where it is located, a statement, verified by the oath of its president, setting forth its financial condition and the amount of its property and liabilities. A copy of this statement must be filed in the office of the secretary of state. A failure to present such report lays the president, cashier, or directors, of the association liable to a penalty of \$500 to the state.

In New York each association must, at the close of the first year's operations, and annually thereafter at the same period, publish in at least two newspapers where its place of business is located, a concise statement verified by the oath of its president and secretary, showing its actual financial condition and an itemized account of its property and liabilities. Each association also must annually, on the first day of January, make a full report in writing of its affairs and conditions to the superintendent of the banking department, which must be in such form and contain such statements, returns and information as to its affairs, business, condition, obligations and resources as the said superintendent may from time to time prescribe or require. The superintendent may also at other times demand such reports as he may deem proper. Reports must be verified by the oath or affirmation of the officers making them.

In Virginia there must be a meeting of the stockholders on the first Thursday in January each year. The stockholders at this meeting, or, if they fail to act, then the president and the directors, must

cause to be published, during the month of January, in one or more public newspapers printed in or nearest the place of business of such association, a statement, verified by the oath or affirmation of the president and secretary, showing the actual financial condition of the association brought down to the thirty-first of December in the preceding year. Such statement must exhibit the amount of money on hand, the number of shares redeemed, the amount due the association, its liabilities if any, the value of its property, and the estimated cash value of each share of its stock.

These extracts from the laws of the four states mentioned make sufficiently clear: (1) What should be the scope of reports; (2) When they should be made; (3) How they should be published.

PREPARATION AND PUBLICATION OF REPORTS.

Whether the statutes require periodical reports to be made or not, such reports are provided for in the constitution, by-laws, and rules of the associations themselves. In these provisions the form of the report is outlined in a general or specific way, and also the method of its publication. The exact form in which the report of any association shall be presented and the method of its publication must therefore be determined by the statutory requirements and by its own rules. It should be so comprehensive in scope and elaborate in detail as to make it self-explanatory. It is also very desirable that reports be printed, so that they may be readily available for examination by all members and other persons interested.

The chief part of the work in the preparation

of a report usually devolves upon the secretary. Promptly, at the close of each fiscal term, the secretary should present a properly formulated and tabulated report of the business of the entire term to the directors. The directors should refer it to the auditing committee for examination and verification. When the directors and officers are satisfied that the report is correct, the secretary, or the secretary and the president if so required, should make oath or affirmation to its correctness. It is advisable that the report when completed be published in the newspapers or printed in convenient form before the meeting of the stockholders at which it is to be presented, so that each member may have full opportunity to examine it and to learn the exact standing of the association and the condition of its business.

SECRETARY'S BALANCE SHEET.

An examination of the reports of numerous associations shows that the accounts most generally carried by secretaries are as shown in the following blank balance sheet which is printed here as a suggestive guide for the officers of new associations.

..... Semi-Annual Report
of The Building and Loan Association,
from..... to.....

RECEIPTS.

Balance Cash on Hand.....\$.....
Dues.
Mortgage Account.....
Note Account
Interest
Premiums.....
Fines
Admission Fees.....
Books.....
Transfer Fees
Paid-up Stock.....
Cash Over.....
Sundries.....

Total \$.....

PROFIT.

Admission Fees.....\$.....
Books
Interest.....
Premiums.....
Transfer Fees.....
Fines
Surplus.....

Total \$.....

ASSETS.

Loans secured by Mortgage \$.....
Books
Stationery.....
Safe
Cash on Hand.....

Total \$.....

DISBURSEMENTS.

Dues Account ... \$.....
Mortgage Account.....
Note Account.....
Loans on Books.....
Salaries
Rent.....
Books
Reserve Fund Account
Advertising
Incidental Expenses.....
Paid-up Stock.....
Cash Short.....
Sundries.....
Dividends.....
Balance in Cash.....

Total \$.....

LOSS.

Books
Rent.....
Salaries
Advertising.....
Incidental Expenses.....
Dividend Declared.....
Reserve Fund.....
Shortage.....

Total \$.....

LIABILITIES.

Due to Members.....\$.....
Dividends.....
Reserve Fund Account.....

Total \$.....

TOTAL NUMBER OF STOCKHOLDERS.....

TOTAL NUMBER OF SHARES.....

Approved :

.....
.....
.....

} Auditing Committee.

.....Secretary.

SPECIMEN REPORTS.

Extracts from the reports of a few associations are printed on the following pages. These are not given as models, but simply as illustrations of the forms in which reports are presented. The reports given possess some very commendable features.

While the particular form which a report shall take is governed chiefly by the requirements of the statutes and the rules of the association, yet the taste and judgment of the secretary and the directors, custom, and the circumstances of the association at the time the report is made, may give it special features of interest. As will be seen, the extracts printed are all tabulated matter. Every report should include, in addition to tabulated and summarized statements of this character, such miscellaneous statements and information as are of special interest to the members and friends of the association. Many secretaries make their reports of great interest and value, and in this way add much to the popularity and success of their associations.

As already said, an association, to attract membership and business, must be advertised in a community, and the best method for doing this is by the general circulation of well prepared reports, giving full and explicit information in reference to its business and methods. Secretaries and directors, in the preparation and publication of reports, should bear this advertising feature in mind, and should arrange reports so as to be used in this way.

It is quite evident from an examination of this subject that there is necessity in most of the states for additional legislation in reference to this matter, and much room for improvement in the practice of many associations in the way of making reports.

MUTUAL HOME & SAVING ASS'N, DAYTON, O.—Extract from 16th Annual Report.—Financial Statement for 1891.

RECEIPTS.		DISBURSEMENTS.	
Cash on hand January 1, 1890	52,435 24	Loans on Mortgage	295,313 06
Pass Books	245 00	Temporary Loans	63,700 00
Premiums	18,547 79	Withdrawals—Running Stock	461,448 83
Interest—Permanent Loans	103,323 40	Withdrawals—Paid Up Stock	296,900 00
Interest—Temporary Loans	410 14	Dividends	98,623 06
Fines	314 58	Bills Payable (Paid)	40,000 00
Other Earnings	71 12	Real Estate Bought	1,474 20
Deposits on Running Stock	319,380 11	Expense	14,164 65
Deposits on Paid Up Stock	204,800 00	Insurance	2,255 87
Deposits on Loan Shares	569,918 49	Profit and Loss	91 76
Temporary Loans Paid	44,900 00	Interest	1,764 14
Real Estate Sold	1,603 20	Surplus	1,158 85
Insurance	2,353 05	Cash on hand January 1, 1891	41,407 70
Total	\$1,318,302 12	Total	\$1,318,302 12
PROFIT AND LOSS.		LIABILITIES.	
Pass Books	245 00	Deposits on Running Stock	584,871 32
Premiums	18,547 79	Deposits on Paid Up Stock	781,800 00
Interest	103,733 54	Deposits on Loan Shares	280,062 76
Fines	314 58	January Dividend Unpaid	48,595 13
Other Earnings	71 12	Other Dividends	3,491 35
Total	\$122,912 03	Undivided Profits	2,623 52
ASSETS.		Fund for Contingent Losses	33,092 25
Loans on Mortgage	\$1,658,146 72	Insurance not Paid	5 28
Temporary Loans	30,900 00	Total	\$1,734,541 61
Cash on hand	41,407 70		
Interest and Premiums due from Members	2,623 52		
Office Furniture and Fixtures	1,463 67		
Total	\$1,734,541 61		

Seventeenth Ward Building and Loan Company,

CINCINNATI, OHIO.

NINTH ANNUAL STATEMENT.

CASH.	DR.	CR.
Balance Aug. 6, 1890.....	\$ 7,475 50	\$53,281 42
Capital Stock.....	68,080 69	76,662 50
Mortgage Loans.....	47,924 65	12,773 95
Pass Book Loans.....	10,720 95	35,147 00
Bills Payable.....	36,634 10	995 78
Profit and Loss.....	8,275 37	250 61
Balance Aug. 5, 1891.....		
	\$179,111 26	\$179,111 26
PROFIT AND LOSS.	DR.	CR.
Interest.....	\$ 139 33	\$ 6,979 69
Premium.....		709 50
Fines.....		138 97
Initiation Fees.....		397 00
Transfer Fees.....		10 00
Pass Books.....		29 00
Cash Over.....		11 21
Reserve Fund.....		409 56
Expense.....	856 45	
Contingent Fund.....	199 48	
Shareholders.....	7,119 39	
Balance Aug. 5, 1891.....	370 28	
	\$8,684 93	\$8,684 93
SHAREHOLDERS.	DR.	CR.
Balance Aug. 6, 1891.....		\$104,175 90
Capital Stock.....	\$ 53,281 42	68,080 69
Mortgage Loans.....	6,019 02	
Reserve Fund.....		28 24
Profit and Loss.....		7,119 39
Balance Aug. 5, 1891.....	120,103 78	
	\$179,404 22	\$179,404 22
ASSETS AND LIABILITIES.	DR.	CR.
Mortgage Loans.....	\$119,837 93	
Pass Book Loans.....	2,375 00	
Fire Proof Safe.....	210 00	
Cash.....	250 61	
Bills Payable.....		\$ 2,000 00
Shareholders.....		120,103 78
Contingent Fund.....		199 48
Undivided Profits.....		370 28
	\$122,673 54	\$122,673 54

Shares Loaned, 291.

Shares Free Running, 921.

Total, 1212.

CHAPTER XIX.

BOOKS AND BLANKS.

GENERAL SUGGESTIONS.

The keeping of the accounts of the associations is a matter too extensive to be discussed in all its details here.* In point of fact there is not yet that uniformity in the methods of bookkeeping in associations which we may certainly expect to see introduced in the near future. The improvements which have appeared in the last few years are astonishing.

A good illustration of the labor-saving methods which are being introduced is seen in the Dues, or Secretary's Book. Formerly postings were made from this book weekly (or monthly) after each meeting.

* In R. Nelson's "New Bookkeeping" will be found a system for the keeping of building association accounts which will be of interest to secretaries and other officers of associations. The new edition of Accounts and Business by R. Nelson is a work, which should be in the hands of every person interested in this subject.

The book is now usually made with a column set apart for each evening's receipts and a numbered line for each member's book. The book is arranged in sections covering each quarter or half year, with necessary rulings for totals. These totals are posted quarterly or semi-annually. It is easy to see how much time and labor is saved and how much the liability to error is lessened by the new method.

The Secretary's Cash book is also now arranged with polyform columns and rulings, so that, as the secretary enters, meeting by meeting, the various receipts and disbursements, each upon its appropriate line in its appropriate column, it is virtually posted to its appropriate account. He is thus able at any time, without the trouble of making up a balance sheet or detailed statement, to read off from the page of his cash book the actual financial standing of the association, the amount of gain and loss on each item, etc., and at the end of the term, he simply enters the entire amount of each item on its account in the ledger. Formerly, the custom was to enter all such items, meeting by meeting, in an ordinary cash book and then to journalize and then to post them into the ledger—a very burdensome task as secretaries will testify.

In addition to the improvements noted in these two books a large number of other books and various blanks and forms have been devised to save labor, to secure accuracy, and to expedite the business of associations.

The work of an association in the taking of dues, etc., must be done so quickly, and accuracy in all things is so essential to the success of the association, that directors and officers should be careful to

adopt the best system possible and to provide themselves with the best and most convenient books and forms. It is especially desirable that the system adopted should be so simple and comprehensive that its workings can be understood easily even by uneducated and inexperienced members. The books and forms should be those that have stood the test of actual experience and have given satisfaction. In ordering books care must be taken that they correspond to each other, so that all will fit in properly as parts of one system.

Economy should be practiced in the purchase of books as in all matters connected with an association. But it will be found poor economy that does not provide the best available books for the keeping of the accounts and records.

BOOK ACCOUNT.

Many secretaries keep a separate account of the blank books and pass books used by the association. Secretaries sometimes have difficulty with this account. The matter is very simple when once understood. The cost of all books purchased should be separately charged to the book account, and all receipts from members for pass books should be credited to this account. At the end of each fiscal term a certain percentage, to cover the cost of the books in use for that term as determined by the board of directors, should be charged to the profit and loss account. The following exhibit illustrates how this account may be kept:

BOOK ACCOUNT.

Jan. 16	Cash (Acc't Books)	6	\$72 00	Jan. 29	By cash 64 P. Bks. 25c	7	\$16 00
	" 500 Pass Books	6	55 00		" 5% P.&L. Acc't Bks		3 60
Jun 29	P. & L. gain on 64 Pass Books.		8 96		By Bal. Acc't Books		68 40
					" " Pass Bks. (436)		47 96
			135 96				135 96
July 1	Bal. Acc't Books.	9	\$68 40				
	" 436 Pass Bks. 11	9	47 96				

PASS BOOKS.

The pass book is the book furnished to each member by an association, in which are recorded the receipts for his dues as he pays them from meeting to meeting. This book is known under various names as, "Pass Book," "Member's Book," "Receipt Book," "Stock Book," etc. There is so much inquiry in reference to these books, and such frequent difficulty in new associations in getting them in proper form, that a full description is given here to assist persons interested in organizing associations.

These books are subjected to constant usage and must last a long time, since, usually, a period of from six to ten years must elapse before the stock is finally paid up. Pass books should therefore be made of good paper, in strong and durable binding, of convenient size, and to open easily. For the convenience of officers and members, and in order to expedite the business of the association, pass books should be carefully and systematically arranged and properly adapted for their purpose.

Pass books are usually 4 to 4½ inches in width and 6 to 7 inches in length. They should contain the

constitution and by-laws of the association, a blank certificate of stock, blanks for transfers of stock, and 16 leaves—32 pages—properly ruled and lettered for receipts for dues.

The certificate of stock is as follows :

TheBuilding and Loan Association,
of

Book No..... Certificate of Stock.

THIS CERTIFIES, that.....
is entitled to .. shares, subscribed in The
Building and Loan Association, which are to be regulated and
controlled by, and which may be transferred according to the
Constitution and By-Laws of, said Association.*

Admission Fee, \$..... Book,.....cents.

Received Payment,

.....Secretary.

.....189..

The certificate of stock is made to occupy one page of the Pass Book. On the back of this certificate should be printed two or three blanks for the transfer of shares as follows :

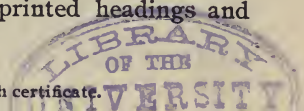
For value received, I hereby transfer to.....
.....all my claims, rights, and interest in
.....shares of the capital stock of

The.....Building and Loan Association,
of....., on this the.....day of.....189.

.....
.....Secretary.

The leaves for receipts should be made of good, strong writing paper, interleaved with light blotting paper. The paper should be ruled with fifteen lines to the page and should have printed headings and column rulings as follows :

* Some associations put their seal on each certificate.



DATE.	DUES.	Interest.	Premium	FINES	RECEIPT.

Pass books are sometimes made with twenty-six instead of fifteen lines to the page, but this plan either makes the book inconveniently large for carrying and handling, or causes the rulings to be too close for convenience.

On the front page of the cover of the book should be pasted the number of the book and a printed label as follows :

365

.....
 In account with
 The Building and Loan Association,
 of.....
 No..... Shares.....

DEPOSIT ENVELOPES AND SLIPS.

When a member appears to make his payments he fills out a deposit ticket or slip and encloses this, with the exact amount of his payment, at the proper place in his pass book, and hands it in. Some associations use the deposit envelope instead of the slip, and this is much better. The envelope is used exactly as the slip except that the money is enclosed and sealed up in it, thus preventing its being accidentally dropped out of the book and causing loss, delay, or error. The receiving officer calls off the number of the pass book

and the amount of money written on the slip or envelope, and passes all over to the other members of the finance committee, one of whom counts the money, and another receipts for the dues in the pass book and returns it to the owner, the slip or envelope being placed on file. When dues are received in this manner it is very easy to check up the accounts at the close of the meeting. In some associations the money is simply enclosed in the pass book without any deposit slip or envelope. Where there is a large membership, owing to the numerous payments and the rush and incidental confusion, errors are likely to occur, both in the money paid in and in the entries. Where deposit slips or envelopes are used it is easy to locate errors and to make necessary corrections.

Below are forms of deposit slips and deposit envelopes:

DEPOSIT SLIP.

The.....Building and Loan Association,
189..

Name.....

Book No. No. of Shares.....

For.....weeks.

	\$	cts.
Dues.....		
Interest.....		
Premium.....		
Fines.....		
Admission } or } Transfer }		
Book		
Total.....		

THE.....BUILDING ASSOCIATION

of.....

DEPOSIT ENVELOPE.

NOTE.—All moneys handed in to the Association for Credit on Membership Account, must be enclosed in one of these envelopes, and the blanks properly filled out, to prevent mistakes or disputes.

Book No.

MEMBER'S NAME.

..... Make no Mistake..... Member's name should, in all cases, be written plainly, to prevent error or confusion.....

Date,.....Write human day and month of deposit.....189 .

NECESSARY BOOKS AND FORMS.

The following books and forms will be found essential in an association numbering from 250 to 400 members:

500 Pamphlets—Constitution and Objects of the Association.

500 Pass Books.

1 Constitution and Signature Book.

5000 Deposit Envelopes or Slips.

1 First Secretary's Dues or Receipt Book.

1 Second Secretary's Book.

1 Treasurer's Receipt Book.

1 Treasurer's Cash Book.

1 Secretary's Itemized Cash Book.

1 Individual and General Ledger.

1 Appraisal Book.

1 Withdrawal Book.

1000 Warrants on Treasurer—Perforated, numbered, and bound.

Blanks for Mortgages, Bonds, Notes, etc., as may be required.

1 Record Book for the purpose of keeping the minutes of the meetings of the association and of the Board of Directors.

An association can not well transact business without possessing at least the books and forms enumerated above. But, in addition to these, most associations use various other books and forms which are found of the greatest convenience and value in the transaction of their business. The books and forms mentioned above, together with many others, will be found described in the list given below.

BUILDING ASSOCIATION SUPPLIES.

The following is a list, alphabetically arranged, of books and forms for building associations, prepared by

S. Rosenthal & Co., Cincinnati, who have made a specialty of furnishing building association supplies for the past twenty-three years:

Amendments to the Constitution.—When amendments are made to constitutions it is desirable that a copy of the amendment be placed in each member's pass book. These amendments are printed on gummed paper so that a copy can be placed in each pass book.

Application Book (For Loans).—*Copyright.*—Has columns for date of application for loan, name, amount of money desired, how much granted, and spaces for description of property, reports of committees with their signatures, and other important remarks.

Application Book (For Loans), Combined with Attorney's Reports.

Application Book (For Membership).

Applications for Money (Dividends). Bound in book form, numbered and perforated with stubs, or plain without stubs. Furnished unbound also.

Applications for Money (Dividends and Withdrawals Combined). Bound or loose as described above.

Applications for Money (Withdrawals).—Bound in book form, arranged for withdrawals in full or in part, numbered and perforated with stubs, or plain without stubs. Furnished unbound also.

Appraisalment Book.—For recording reports of appraising committees. Made in all sizes, and arranged in conformity with law.

Balance Sheets.—Showing entire business of an association for a stated time.

Bonds for Officers.—(See form, page 260.)

Cash Book and General Ledger.—*Copyright.*—All entries to the general accounts such as interest, premium, etc., are posted when made, and, at end of each quarter or half year, or, at any other time, a complete balance can be read off from this. Considerable time is saved by using this book.

Cash Book for Secretaries.—With special rulings and heads and all necessary polyforms and divisions.

Cash Book, H. B. Clutes'.—Copyright.

Cash Book, H. L. Smith's.—Copyright.—Showing a complete summary of the business of an association for six months condensed on one sheet.

Cash Book for Treasurer.—Made in convenient pocket form.

Certificates of Paid-Up Stock.—With ten stubs of \$100 each, perforated and numbered, with laws pertaining to same printed on back.

Check Books (Bank).

Circulars.—All styles and sizes

Collateral Notes.—(See forms.)

Combination Check Journal, S. T. Williams's.—Copyright.

Constitution Record Book with Members' Numerical Register and Ledger Index Combined.—Contains blank space for recording constitution and amendments thereto, with blanks for signatures of members numbered in regular order, record of shares held by each member, place of residence, pass book number of each member, and ledger folio of each member arranged in alphabetical index.

Deposit Blanks.—With or without space for advertisements.

Deposit Envelopes.—Copyright.—Large and small, perforated. Can be printed on both sides, one side with blanks for deposits, and the other side for advertising purposes. These are very useful and serve as a check on the receipts.

Deposit Fee Book.—For keeping account of fees advanced by members applying for loans.

Dividend Books.—For keeping dividend accounts. The members' numbers are printed in regular order, 50 to a page, with space for names adjoining, after which follow spaces for amounts of dividends and receipts therefor.

Dividend, Report Record, and Reserve Fund Book.—Copyright.

Dividend Tables.

Dividend Warrants.

Dividend Withdrawal Blanks.

Dodgers.—All sizes, English or German.

Dues Books.—Different designs of weekly, monthly, quar-

terly and semi-annual dues books of the most approved patterns.

Election Tickets.—And specially ruled Tally Sheets.—Furnished to order.

Envelopes.—Printed to order.

General Ledger and Cash Book.

Index.—Plain and voweled.

Index (Combination).—See Constitution Record Book.

Individual Ledgers.—Made to order in any desired form. We have ledgers arranged for posting every week, month, half-year, etc. We make a special Ledger for Building Association which can be used for quarterly and half-yearly postings. We also manufacture ledgers with dates printed in, thus saving considerable time in making entries for those secretaries who post receipts at each meeting.

Individual Ledger, A. Vos's.—Copyright.

Individual Ledger, M. Burgheim's.—Copyright.

Letter Heads.—Printed to order.

Mechanic's Liens.—(See forms.)

Memorials.—Resolutions of respect for deceased officers, directors, and members, printed in neat and appropriate styles.

Mortgage Blanks.—(See forms.)

Mortgage Clause Blanks.—(See form.)

Mortgage, Lease, and Insurance Record.—Ruled to show number, amount of loan, expiration of lease, location of property, and amount and expiration of insurance, as well as cancellation.

Nightly Receipt Books and Sheets.—(See Dues Book.)

Notes.—Blank, or bound in book form, drawn in conformity with law.

Note Heads.—Printed to order.

Notices to Members.—Printed to order.

Numbers.—In sets of 1 to 500, and 1 to 1000 in different sizes and gummed.

Order Books.—Made in all sizes, numbered and perforated.

Pads (Memorandum). All sizes.

Paid-Up Stock Certificates.—(See Certificates of Paid-Up Stock.)

Paid-Up Stock Certificate Ledger and Dividend Books.
Pamphlets, in English and German.—Printed to order.

Pass Books.

Posters.—All sizes to order, for advertising sales of property, etc.

Proxy Blanks.—For elections (See form.)

Receipts.—Plain blanks, or bound in book form.

Record Books.—In different styles with or without index.
Also printed records to order.

Reports.—Semi-annual, annual, etc., printed in any form.

Share Account Books.

Seals.

Secretary Books.—For the First and Second Secretaries. The best designs in this line. Special attention is called to the new 13 and 26 week books, made on the most labor-saving plan. Second Secretary books in different styles.

Show Cards.—Signs for place of meeting.

Solicitor's Reports.

Subscription Blanks.—For new associations.

Subscription Books.—Stock.

Tally Books and Blanks.—Generally used by the Second Secretary or Finance Committee.

Tally Sheets.—For elections.

Transfer Book.—Stock.

Treasurer's Cash Books.—Made especially for treasurers in convenient pocket form.

Treasurer's Receipt Books.—Regular. Also, extra ruled and printed, with 13 weeks (three months,) receipts to a page, and space for date, signature, amount, and account for overs and shortages in cash received.

Vos's Individual Record and Ledger.

Williams's Building Association Books.—All the various books copyrighted by Mr. S. T. Williams, the expert accountant.

Williams's 26 Weekly Dues Register.—For entering dues.

Withdrawal Blanks.—In pads or book form.

APPENDIX.

The following forms for constitution, by-laws, and rules, have been compiled from those in use by several associations in successful operation, and embody the best features of all of them. The provisions here given have therefore been thoroughly tested in practice. However, it is not to be expected that these forms shall be followed literally by any association. Some modification to meet local or other requirements must necessarily vary the form and text in nearly every instance. Much care and intelligence should be employed in filling the several blanks properly in order that the association may be established on a practical working basis.*

* In New Jersey associations are required to incorporate in full in their constitution all the provisions of the statutes under which they act. All such special provisions in the statutes of any state, must, of course, be carefully observed.

CONSTITUTION.

ARTICLE I.

Name.

The name of this association shall be The
 Building and Loan Association* of.....(city)
(state), and its place of business shall be in the.....
(city or town) of County

ARTICLE II.

Object.

The object of this association shall be to afford to its members an opportunity to invest their savings safely at a good rate of interest, and also to accumulate or to borrow money for use in purchasing real estate, buying, building or repairing houses, and for such other purposes as are authorized by law.

ARTICLE III.

Capital Stock.

The capital stock of this association shall be dollars (\$.....), divided into shares of..... dollars (\$.....) each, which shall be paid in in weekly (or monthly) installments of on each share.

ARTICLE IV.

Membership.

Any person or corporation, qualified by law,† may become a member of this association, by subscribing for one or more shares of its stock and shall be entitled to all the benefits and

* The Ohio statutes require that the name of every corporation shall begin with the word "The" and end with the word "Company". Special restrictions in reference to the names of associations are found in the statutes of some of the other states. Thus, in Massachusetts, the words "Co-operative Saving Fund and Loan Association", must form part of the name of each association, while in Maryland, the name of the city or town and county where the association is formed, must be part of the title. Wherever an association is organized the statutory requirements must always be met.

† The laws in the different states determine what persons and corporations shall be adjudged capable of making contracts. In some states the special laws under which associations operate confer the right to become members upon persons who, under the general laws would be debarred from the privilege, such, for instance, as minors and married women.

privileges, and be subject to all the duties of a member as provided in this constitution, and in the rules and by-laws established hereunder.

ARTICLE V.

Meetings and Elections.

SECTION 1. There shall be held an annual corporate meeting of this association, on the.....day of.....in each year at.....o'clock P. M. for the following objects:

1. The election of officers.
2. The reading of annual reports.
3. The transaction of such other business as is provided for hereinafter, or as may be legally brought before said meeting.

SECTION 2. Two weeks previous to the annual meeting the board of directors shall appoint a committee of five shareholders, outside of their own number, who shall nominate a list of candidates equal to double [or treble] the number of vacancies that will arise in the directory. Tickets containing the names of these candidates shall be provided by said committee for the use of the members at the election. Each member shall be entitled to one vote for each share of stock owned by him. The election shall be by ballot, and the.....persons receiving the greatest number of votes shall be declared elected as directors for the term of.....* The polls shall be opened at.....o'clock P. M. and closed ato'clock P. M.

SECTION 3. Regular weekly meetings† of the members for the payment of dues, the loaning of money, and the transaction of the other business of the association, shall be held at such times and places as the directors may designate. If the time or place of meeting is changed, the directors shall give public notice to all the members of such change, at least one week

* Directors are elected generally for the term of one year. In that case the blank should be filled with the words "one year". Some associations however, prefer to retain part of their directors (say one-half or two-thirds) to hold over. In that case, only one-half or one-third of the directors are elected annually, and then this blank should be filled with the words "two years" or "three years" as the case may be. In case of a tie vote the election usually is decided by lot.

† Or bi-weekly, or monthly, as the case may be.

previous thereto, by advertisement in at least one newspaper of general circulation in the county of , or by sending a special notice to each member by mail or otherwise. The directors shall hold their regular business meetings at the same times and places fixed for the regular meetings of the members.

SECTION 4. Special corporate meetings shall be called by the president at any time upon the written request of . . . members; and the notification to the members shall be in the same manner as above provided for a change in the regular weekly meetings.

SECTION 5. Members may be represented and may vote in the corporate meetings by proxy.*

ARTICLE VI.

Officers and Their Powers.

SECTION 1. The power to transact the business of this association shall be vested in a board of . . . directors, a majority of whom shall constitute a quorum. They may enact and amend by-laws and rules for their own government and for the government of the business of the association. They may also fill vacancies in the board, provided such vacancies do not exceed one-half of the membership of the board. When the vacancies exceed one-half of the membership the remaining members shall call a special corporate meeting of the association at which an election to fill the vacancies shall be held under the prescribed rules.

SECTION 2. The board of directors shall enter upon their duties at the first regular meeting after their election. They shall organize by electing from their own number a president, a vice-president, a treasurer, a secretary, and as many assistant secretaries as they may deem necessary.†

ARTICLE VII.

Amendments.

SECTION 1. All proposed amendments to this constitution shall be submitted in writing to the board of directors for

* In the state of Michigan proxies are prohibited by law.

† At the organization of each new board the oath of office should be administered by some person duly qualified to administer oaths.

approval. If approved by the directors the proposed amendments shall be printed and submitted to the shareholders for ratification at the annual meeting or at a special meeting called for that purpose, and, with the concurrence of two-thirds of the members present and voting at such meeting, the proposed amendments shall be declared adopted.

SECTION 2. At least one week's notice of the corporate meeting at which a proposed amendment is to be submitted to the shareholders shall be given through the mail or by advertisement in some newspaper or newspapers of general circulation in.....county

ARTICLE VIII.

Dissolution.

This association may be dissolved by agreement of its members. A motion to dissolve the association, in writing and signed by shareholders representing at least two-thirds of the shares, must be presented at a regular meeting of the board of directors, and must be read by the secretary at three consecutive meetings. When read the second time the board of directors shall by advertising in papers of general circulation in... ..county.... .., call a special meeting of the shareholders to consider it. If in said meeting three-fourths of all the shares shall vote by written ballot for a dissolution of the association, then the association shall be dissolved. The board of directors shall then take the necessary legal steps to wind up the affairs of the association.

BY-LAWS.

Officers and their Duties.

SECTION 1. The president shall preside at all the meetings of the directors and shall perform the duties usually pertaining to his office. He shall sign all orders issued by the board of directors, and attend to the proper and prompt recording of the mortgages and other documents which require a public record. He shall be the custodian of all the bonds given by the officers except his own which shall be held by the secretary.

SECTION 2. The vice-president shall perform the duties of president in the absence or disability of the latter.

SECTION 3. The treasurer shall receive all the moneys paid to the association, giving his receipt therefor, and shall pay all orders issued by the board of directors and signed by the president and secretary. At the end of his term, or at any time the directors may order, he shall deliver to his successor in office all books, papers, money, and other property of the association in his possession.

SECTION 4. The secretary shall record the proceedings of the meetings of the association and of the board of directors. He shall keep an accurate account of the financial transactions of the association. At the close of the fiscal year, and at such other times as the directors may order, he shall present to the association full reports of the business transacted during the year together with an itemized statement of the profits and losses and of the assets and liabilities of the association. He shall have the custody of all the books and papers of the association not otherwise provided for, subject to the order of the board of directors, and shall deliver the same to his successor in office.

SECTION 5. The assistant secretaries shall assist the secretary in the discharge of his duties as he shall direct. In the absence or disability of the secretary the assistants shall fill his place in the order of their priority.

SECTION 6. The directors shall appoint an attorney for the association whose duty it shall be to attend to all legal business referred to him by the directors, including the examination of titles and the preparation of mortgages. He shall make a written report to the directors of the facts in the case upon completion of each duty assigned to him.

SECTION 7. The compensation to be paid to officers of the association for their services shall be determined by the board of directors.

SECTION 8. The officers of the association shall give bonds with two approved sureties in the following sums for the faithful discharge of their duties; president,dollars, (\$), the vice-president, dollars (\$), the secretary,dollars (\$), each assistant secretary,dollars,

(\$), the treasurer,.. . .dollars (\$), and the attorney,dollars (\$).

Committees.

SECTION 9. The directors shall appoint from their own number regular standing committees as follows: a finance committee of.....members, and an appraising committee ofmembers; they shall also appoint an auditing committee of shareholders who shall not be directors. They shall also appoint from time to time such special committees as they may deem necessary and expedient.

SECTION 10. It shall be the duty of the finance committee to superintend the collection of the dues of members, and of all other moneys due the association, and to witness the delivery of the same to the treasurer.

SECTION 11. It shall be the duty of the appraising committee to visit the premises and ascertain the cash value of all real estate offered as security for loans, and to report the same in writing to the board of directors at their first meeting after the appraisement is made.

SECTION 12. It shall be the duty of the auditing committee to examine and to audit the accounts and papers of the association from time to time as they may deem necessary or may be ordered by the board of directors, and to verify the official reports and financial statements of the secretary. The committee must present all reports in writing.

SECTION 13. The board of directors shall determine the amount of compensation to be paid to members of committees for services rendered.

Time of Meetings.

SECTION 14. The regular weekly meeting for the payment of dues, interest, premiums, fines, etc., the loaning of money, and the other financial transactions of the association shall be held every evening at such place as may from time to time be designated.

SECTION 15. The time of meeting from April to September inclusive shall be between the hours of 8 and 9 o'clock p. m., and from October to March inclusive from 7:30 to 8:30 o'clock p. m.

Payments.

SECTION 16. All moneys due to the association shall be paid at the regular meetings to the finance committee, who shall give proper receipt for all money paid in.

SECTION 17. Each member must pay an admission fee ofcents for each share, ...cents for a pass book or a paid-up stock certificate, and dues of per share per week. No member shall hold in his own right more than . shares of stock in this association, and no transfer shall be valid unless made upon the books of the association and after payment of a transfer fee of cents per share.

SECTION 18. Every member must continue to pay his dues until his accumulated payments and the dividends declared thereon and remaining undrawn, together shall equal the full value of his stock, at which time the member shall be entitled to receive the amount thereof in cash, and a pro rata share of the reserve fund.

Paid-up Stock.

SECTION 19. Should any member desire to pay in the full face value of his shares at the time of subscribing for the same, or at any time thereafter, or should any member whose shares have become paid-up as provided in the preceding section, prefer to allow the money due thereon to remain in the possession of the association, the board of directors may, if they think best, accept said money and issue to such members certificates of paid-up stock for the share or shares so paid up.

SECTION 20. Upon the paid-up stock for which such certificates are issued, the members shall not be required to pay weekly dues, and shall be entitled to receive in cash the amount of all dividends declared thereon. But such stock, except as is provided in the next section, shall be governed by the same rules as to withdrawal and otherwise, and be subject to the same liabilities as other stock.

SECTION 21. If at any twenty-sixth or fifty-second meeting of the business year there shall be more money in the treasury than will satisfy the applications for loans, the board of directors may require any and all holders of certificates of paid-up stock, in the reverse order in which they were issued, to surrender such certificates and to receive therefor the

amounts for which they were issued, together with all dividends declared and still remaining unpaid thereon, and no holder of such paid-up stock shall be entitled to dividends thereon from and after the time the board shall so order its surrender.

Borrowing Members.

SECTION 22. Every shareholder shall be entitled to a loan of dollars for each share subscribed, upon securing the same as hereinafter provided.

SECTION 23. At each weekly meeting, at the discretion of the directors, precedence in borrowing such money as may be on hand for loan shall be offered openly for sale and be sold to the member who bids the highest premium therefor, which premium must be paid in weekly installments during the continuance of the loan.

SECTION 24. Interest and premiums on loans shall be payable *pro rata* as soon as any part of the loaned money is ready to be paid to the borrower.

SECTION 25. Those who borrow money must make a deposit of twenty (\$20.00) dollars with the president to cover expenses to pay for appraisers', attorney's, and recorder's fees, etc. Any balance of this amount remaining after all fees are paid shall be returned to the owner.

SECTION 26. The board of directors shall have the right to reject any and all applications for loans, having regard as well to the character of the applicants as to the security offered.

SECTION 27. All loans shall bear interest at the rate of ... per cent. per annum, and shall be payable in weekly installments, and rebatable annually.

Securities.

SECTION 28. Any member borrowing money shall secure the payment thereof by executing a sufficient mortgage on real estate in, said mortgage to be in force until the dues paid in and the declared profits credited thereon shall amount todollars per share, whereupon the mortgage shall be cancelled.

SECTION 29. Security by mortgage upon real estate in fee simple, perpetual leasehold, or leasehold estate with the privi-

lege of purchase after a certain period and at a fixed price, or leasehold for not less than.....years, shall be accepted at the discretion of the board of directors.

SECTION 30. No loan shall be made for more than two-thirds of the appraised value of the mortgaged property; and when the ground alone is not sufficient any buildings thereon must be insured to the satisfaction of the board of directors, and the policies assigned to the association as collateral security.

SECTION 31. All taxes and assesments, fire insurance policies, ground rents, etc., must be paid promptly by the mortgagor, and it shall be the duty of such mortgagor to present to the directors the proper receipts therefor at the meeting next following the date when such payments become due. Failure to present such receipts as required shall be liable to a fine of, and such other action as the board of directors may deem necessary.

SECTION 32. Every member who borrows money on mortgage security and transfers to the association the policy or policies of insurance on the improvements of said mortgaged premises as collateral security, who shall contemplate making any alteration in or addition to the insured buildings, that may in any way impair, or tend to impair, the validity of such insurance policy, or policies, shall report the same at a regular meeting, before the beginning of such change, and in default thereof shall be fined in the sum of..... for each and every such omission.

Collateral Securities.

SECTION 33. Any member of the association to whom money has not been advanced on mortgage security may receive a loan in any sum not exceeding nine-tenths of the amount paid in by him, on giving a note for such amount, and transferring his pass book to the association, to be held as collateral security until the full amount of such loan, with all dues thereon, shall be paid.

SECTION 34. Any person borrowing money as provided in the foregoing section, shall pay for the same in weekly installments as follows :

For any sum from \$ 1 00 to \$ 25 00...cents per week.

“ “ “ “ 25 00 to 50 00.... “ “

“ “ “ “ 50 00 to 75 00.... “ “

“ “ “ “ 75 00 to 100 00.... “ “

and so on at the rate of.....cents for every twenty-five dollars or part thereof.

SECTION 35. The members so borrowing shall continue to pay their dues and interest on the shares subscribed, the same as other borrowing or depositing members.

SECTION 36. In case any such borrowing member shall have failed to return the amount borrowed and the weekly dues and interest thereon at the expiration of one year, his pass book shall be forfeited to the association, his membership cancelled, and the sum of money loaned, the unpaid weekly installments thereon, and fines for the non-payment of dues, shall be deducted from the full amount of dues paid in, and the balance paid to such person, whose connection with the association shall thus terminate.

Fines and Penalties.

SECTION 37. Any member who has borrowed money on mortgage security from the association, who shall neglect to make any of his payments for the space of.....weeks, shall be liable to an action at law for the recovery thereof, and the directors shall be authorized by virtue of the mortgage deed to collect all dues, interest, premium, and fines due and owing the association.

SECTION 38. If any member neglects to bring his pass book to the weekly meetings, or to pay dues at the specified time, he shall be fined.....

SECTION 39. The board of directors shall have the power to remit any fine which in their judgment has been unjustly imposed.

SECTION 40. In case the secretary should be unable to attend the meetings he shall be required to deliver or cause to be delivered the books and papers of his office to the finance committee, subject to a fine of..... for each offense.

SECTION 41. If a member of the board of directors be absent from three consecutive meetings without leave or proper excuse, then the place may be declared vacant, and the board may fill the vacancy.

Cancellation of Mortgages.

SECTION 42. If any member desires to cancel his mortgage to the association he may do so by paying to the association the amount due on the mortgage as follows:

The face value of the mortgage (\$ per share), the premium remaining due and unpaid for the term of one year, the interest remaining unpaid, and all fines for non-payment of dues, less the dues paid in and the profits credited, and also a fee of to the president for cancelling the mortgage.

Dividends.

SECTION 43. The board of directors shall, on the day of and of each year, declare such dividends as may remain from the earnings of the association, after deducting therefrom all expenses and losses, and such sum as they may reserve for the fund for the payment of contingent losses.

SECTION 44. The dividend so declared shall be distributed among all the members *pro rata* in proportion to the amount standing to the credit of each member on his stock at the beginning of the term, in addition to the average amount paid in by him during the time, less withdrawals.

SECTION 45. At the time of issuing paid-up stock the board of directors may limit the rate of dividends which shall be paid thereon, and the rate to which the same is limited shall be written or printed on the back of the certificate.

SECTION 46. The dividends declared shall be credited on the pass books of the members at the first meeting in and of each year, and holders of certificates of paid-up stock shall be entitled to receive the dividends thereon in cash, on the of and at the office of the association.

Withdrawals.

SECTION 47. Depositing members may withdraw from the association at any time by giving one week's notice to the board of directors, and the liability to pay further dues and the right to dividends shall cease with such notice. The withdrawing member shall be entitled to receive all payments made

on the stock withdrawn, and all dividends declared thereon up to the time of notice, less his *pro rata* share of all losses. Provided, however, that should the applications for withdrawal at any time exceed the weekly receipts, such applications shall be filed in the order in which they are received, and paid in the order in which they are filed, as fast as the receipts of the association will pay them.

SECTION 48. All shares withdrawn or forfeited, and all shares paid up and the money thereon withdrawn, and also all shares on which loans have been taken and cancelled or paid up, shall revert to and become the property of the association and may be reissued by the board of directors.

SECTION 49. Members who have borrowed money on real estate may transfer their shares by selling and transferring their mortgaged property and shares to one and the same person, on the condition that the purchaser becomes a member of the association by signing the constitution and agreeing to perform all the duties of the seller.

SECTION 50. Any member to whom money has not been advanced on mortgage security may withdraw any part of the amount to his credit on the books of the association, and upon the amount so withdrawn he shall not be required to pay any interest, and he shall not receive any dividends on said withdrawn amount.

Death of Members.

SECTION 51. Upon the death of any member his legal representatives shall be invested with all his rights and liabilities.

Amendments.

SECTION 52. These by-laws may be amended at any regular meeting of the board of directors by a two-thirds vote of the members thereof, but all proposals to amend the same shall be made in writing at a regular meeting of the board at least one week before action is taken thereon.

RULES.

In order that the members may at all times be informed as to the proper rotation or order of business, and, particularly for the convenience of the directors themselves, the directors should adopt a set of rules for governing the business of the association. These should be prepared carefully and changed and amended from time to time as may be found necessary in order to make them more practicable and popular among the members. Since such rules must be arranged to suit local conditions and circumstances it is not possible to outline them very specifically in a general work of this character.

The object of the business rules of an association and the policy of the directors should be to have the business so arranged that it will run along smoothly and rapidly without friction or delay, so that members may not be annoyed by having to wait. At the same time the meetings should be made of as pleasant and sociable a character as possible so as to be enjoyable to members and visitors. Particular pains should be taken by the directors to make the meetings suitable and pleasant places for ladies to visit, for quite a number of ladies become members of associations.

A few specimen rules are given below which will be found suggestive :

1. At the specified time for the collection of dues the president shall call the meeting to order, and the secretary and his assistants and the members of the finance committee shall take their respective places.

2. The secretary or an assistant shall enter all dues paid in in the Dues Register and the members of the finance committee shall count all moneys and receipt for them.*

3. When the time for receiving money has expired the secretaries and the finance committee shall count the receipts and check up the books to see if the receipts and entries correspond. As soon as this is done they shall report to the president that they are ready to proceed with the further business of the evening.

4. The following shall be the order of business for the directors' meeting:

- (1) Call to order.
- (2) Roll call.
- (3) Reading of minutes.
- (4) Sale of money.†
- (5) Reports of officers and committees.
- (6) Unfinished business.
- (7) Miscellaneous and new business.
- (8) Reports of receipts and disbursements.
- (9) Adjournment.

*In some associations the rule is that an assistant secretary, or a member of the finance committee, shall make the entries in the Dues Register, and the secretary himself shall attend to issuing books to new members and other miscellaneous business of that kind, and particularly to giving information and answering the numerous questions that are always being asked by members in an association.

During the time of receiving dues the directors who are not officers or members of the finance committee should make themselves useful by circulating among the members and visitors present, making them acquainted with one another, giving information in regard to the association and its work, and making the meeting as pleasant and attractive as possible.

†The sale of money should be placed as early as possible on the order of business so as not to keep members waiting too long. The directors' meeting does not begin until after the time of receiving dues has expired. Members who come early in the evening, in time to pay their dues, and are then compelled to wait until the directors transact all other business before they can bid on money, find the delay very irksome and annoying.

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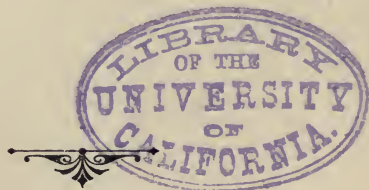
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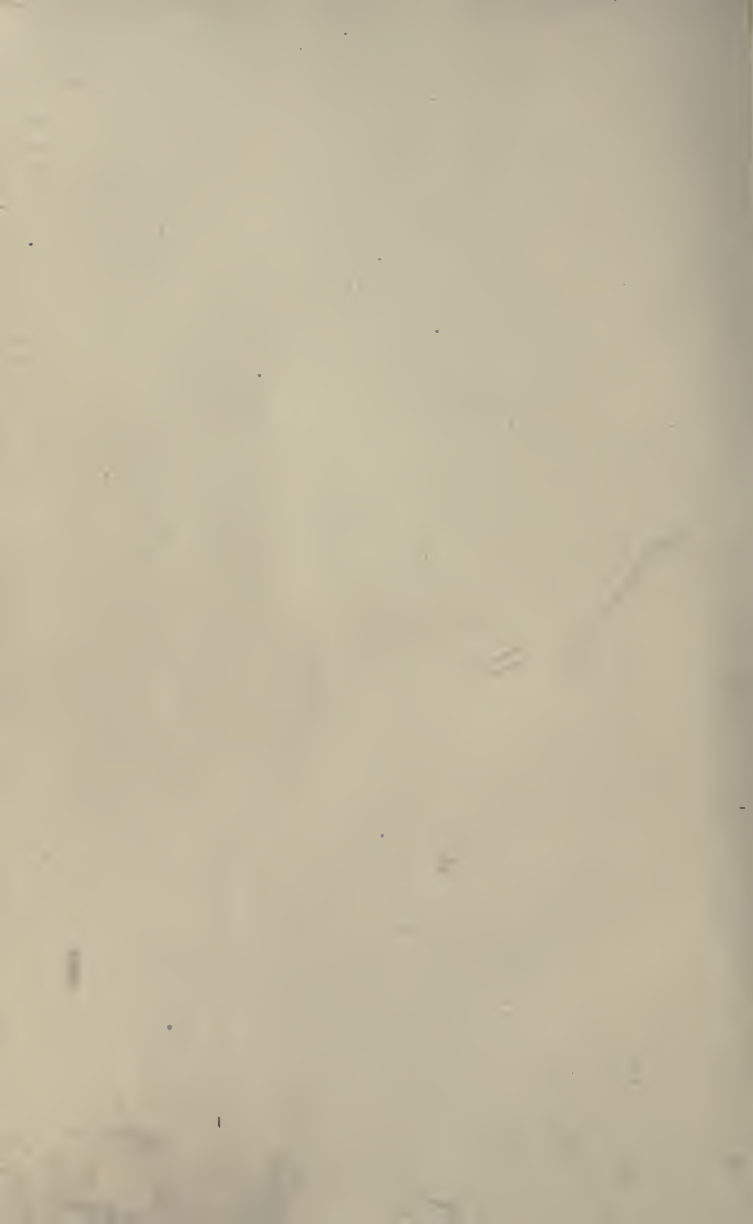
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